



Sustainability Report

Message to Stakeholders

Dear Stakeholders,

For more than four decades, Highnoon Laboratories Limited has been guided by a clear purpose: to improve the health and well-being of patients by delivering safe, effective, and accessible medicines. This purpose continues to shape how we innovate, operate, and grow as a responsible healthcare organisation.

The Board and Management are pleased to present Highnoon's first Sustainability Report, an important milestone in strengthening transparency and accountability across our environmental, social, and governance practices.

During the year, we strengthened the integration of sustainability considerations into our enterprise risk management and strategic planning, including climate-related assessments to better understand potential long-term impacts on our operations and supply chains.

Highnoon's sustainability strategy focuses on four key priorities: climate-resilient and automated manufacturing operations, a sustainable and reliable supply chain, workforce, employee safety and talent continuity, and data security and privacy. While this report marks the beginning of our formal sustainability journey, the values it reflects have long been part of Highnoon's culture.

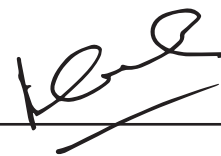
We thank our employees, healthcare professionals, regulators, partners, suppliers, and shareholders for their continued trust and support.

Together, we remain committed to advancing healthcare, strengthening resilience, and enriching life.

Sincerely,



Tehmina Saeed Chaudhury
Chair – Sustainability Committee



Dr. Adeel Abbas Haideri
Chief Executive Officer

1. Basis of Preparation

This Sustainability Report of Highnoon Laboratories Limited presents sustainability-related financial information for the financial year ended December 31, 2025. The report provides transparent, decision-useful information to primary users of general-purpose financial reports regarding sustainability-related risks and opportunities that could reasonably be expected to affect the Company's enterprise value.

A. Reporting Entity and Boundary

The sustainability-related financial disclosures cover the same reporting entity and reporting period as the related consolidated financial statements. The reporting entity includes the parent company "Highnoon Laboratories Limited" and its subsidiary "Curexa Health Private Limited" together referred to as ('the Group').

B. Connectivity with Financial Statements

This report is intended to be read together with the consolidated financial statements and explains, where relevant, how material sustainability-related risks and opportunities may affect financial position, financial performance and cash flows over the short, medium and long term.

C. First-time adoption of IFRS Sustainability Disclosure Standards

As this is the Group's first year of sustainability-related financial reporting, disclosures have been developed using information available at the reporting date without undue cost or effort, taking into account current systems, capabilities and data availability. In preparing this report, the Group has applied the following transition reliefs:

- Relief from the requirement to disclose comparative information in the first annual reporting period; and
- Relief from disclosing Scope 3 greenhouse gas emissions.

D. Forward-Looking Information

This report contains forward-looking statements relating to sustainability strategies, targets, and risk management initiatives. These statements are based on management's current assumptions and judgements, which are subject to measurement uncertainties that may cause actual results to differ materially from those expressed or implied. The critical judgments and significant measurement uncertainties exercised are disclosed throughout the report.

2. Governance

The Group's governance framework underpins a sustainability approach that is strategically integrated and consistently applied across all operations. Sustainability governance operates through four interconnected layers: **Board Oversight, Committee Review, Enterprise Risk Management Integration, and Operational Execution**, ensuring clear accountability from the Board to management and operational teams. This structured model embeds material considerations into strategy, capital allocation, and financial decision-making, with risks identified early and assessed against defined risk appetite thresholds alongside financial and operational exposures. By promoting transparency, regulatory compliance, and disciplined risk management, the framework strengthens organisational resilience, safeguards stakeholder interests, and supports long-term value creation.

2.1. Board Oversight

A. Accountability

The Board of Directors retains the ultimate responsibility for overseeing sustainability and climate-related risks and opportunities (SRROs) and for ensuring that these matters are appropriately integrated into the Group's strategy, major business decisions, and enterprise risk management processes. The Board exercises this oversight through the Sustainability Committee, Risk Management Committee, and Audit Committee, each operating under formally approved Terms of Reference.

B. Integration

In overseeing the Group's strategy, the Board considers material sustainability and climate-related risks and opportunities as part of annual strategic planning, capital allocation decisions, and the review of major transactions, including capital expenditures, acquisitions, divestments, and business model adjustments. Structured management reporting will support this oversight by analyzing the potential financial implications of sustainability and climate-related risks and opportunities on projected cash flows, cost of capital and long-term asset resilience, ensuring that sustainability considerations are fully integrated into strategic and financial decision-making.

Through structured reporting from management and its committees, the Board intends to evaluate how identified SRROs may affect enterprise value creation, cash flows, access to finance, cost of capital, business continuity, and long-term competitiveness. Where relevant, the Board also intends to consider trade-offs between short-term financial performance and long-term sustainability objectives, including climate transition requirements, resilience planning, regulatory compliance, and stakeholder expectations.

C. Monitoring

The Sustainability Committee supports the Board by reviewing material sustainability and climate-related risks and opportunities, related strategic responses, and progress against management action plans. It provides annual or semi-annual updates to the Board on risk exposures, implementation progress and emerging developments with potential implications for the Group's strategic direction.

The Risk Management Committee has also been established to support the Board in overseeing how sustainability-related exposures are incorporated within the ERM framework, risk taxonomy and risk appetite structure.

2.2. Target Setting and Performance Monitoring

The Board oversees the establishment of sustainability and climate-related targets and the monitoring of progress against those targets. Through the Sustainability Committee, the Board reviews management's proposals for sustainability and climate-related objectives, ensuring that such targets are aligned with the Group's strategic priorities, enterprise risk profile, and long-term value creation objectives.

Sustainability and climate-related targets are developed by management based on identified material sustainability-related risks and opportunities (SRROs), including climate-related transition and physical risks.

In the initial phase, the Group's focus is on establishing practical and achievable targets that are operationally embedded and supported by reliable data collection mechanisms. These targets form the basis for defining measurable Key Performance Indicators (KPIs), which are monitored through structured reporting to the Sustainability Committee on an annual/half-yearly basis.

2.3. Management's Role in Oversight

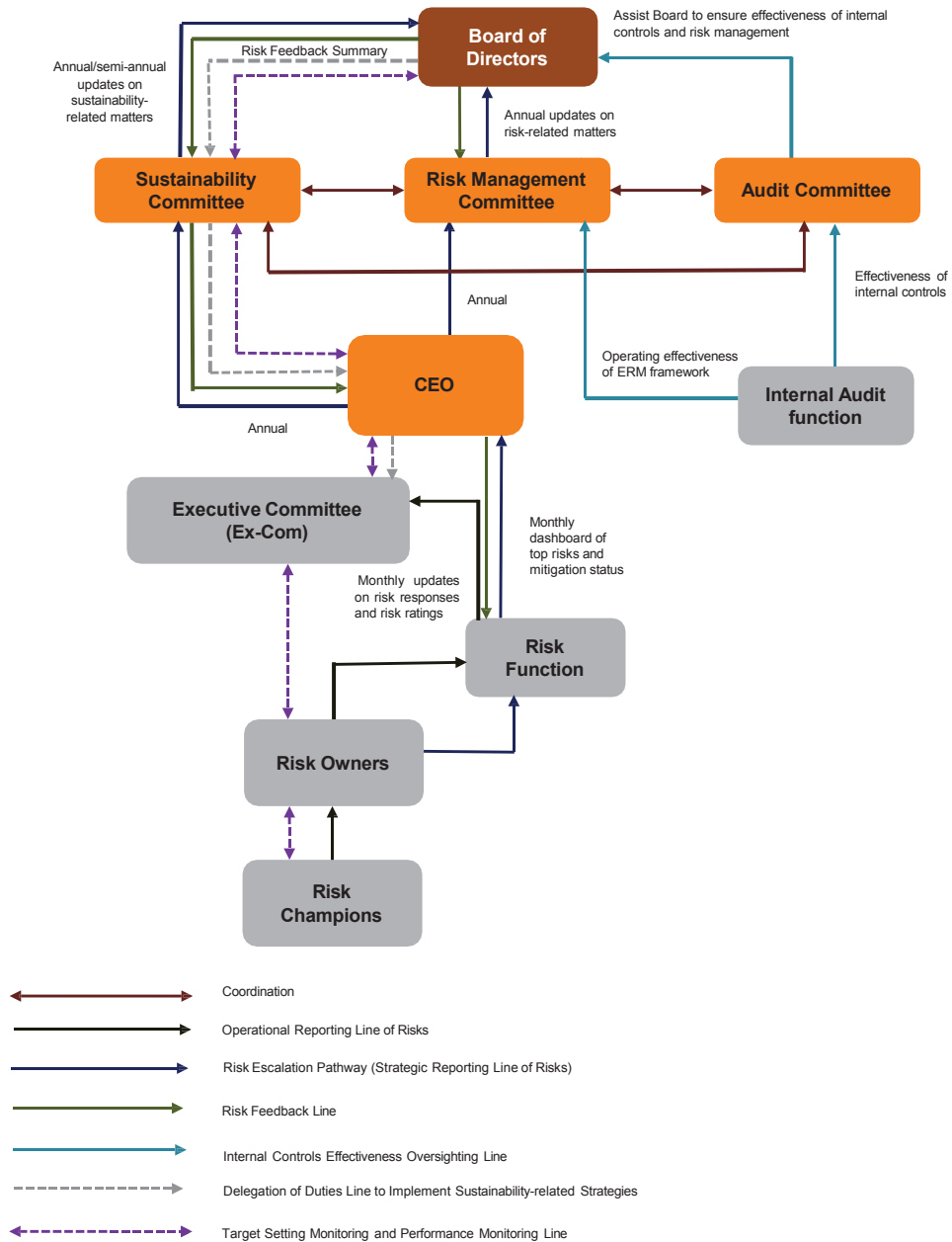
Management plays a central role in the identification, assessment, management and reporting of sustainability and climate-related risks and opportunities. Execution responsibility is delegated to the Chief Executive Officer (CEO) and the Executive Committee (Ex-Com), including the Chief Financial Officer (CFO), and relevant functional heads, under the oversight of the Board and its committees. The CEO provides leadership on sustainability strategy implementation and ensures integration of sustainability objectives into operational planning, budgeting and resource allocation. The Risk Function coordinates enterprise-wide identification, assessment and reporting of material sustainability and climate-related exposures, while designated risk owners are responsible for implementation of mitigation measures.

Management uses structured controls and procedures embedded within the ERM Framework to support oversight of sustainability and climate-related risks. The Risk Function prepares consolidated risk reports summarising key risk exposures, mitigation effectiveness, and emerging issues for review by the Sustainability Committee. These reports are also intended to support oversight by the Risk Management Committee. Feedback and guidance from the Board and its committees are communicated to management and relevant risk owners, supporting accountability and continuous improvement.

The Audit Committee, supported by the Internal Audit function, provides independent oversight of the effectiveness of internal controls, assurance processes and governance arrangements relevant to sustainability reporting and risk management.

Through this integrated governance structure, the Group ensures that sustainability and climate-related risks and opportunities are systematically identified, embedded within strategy and risk management processes, monitored through defined controls, and overseen at both Board and management levels.

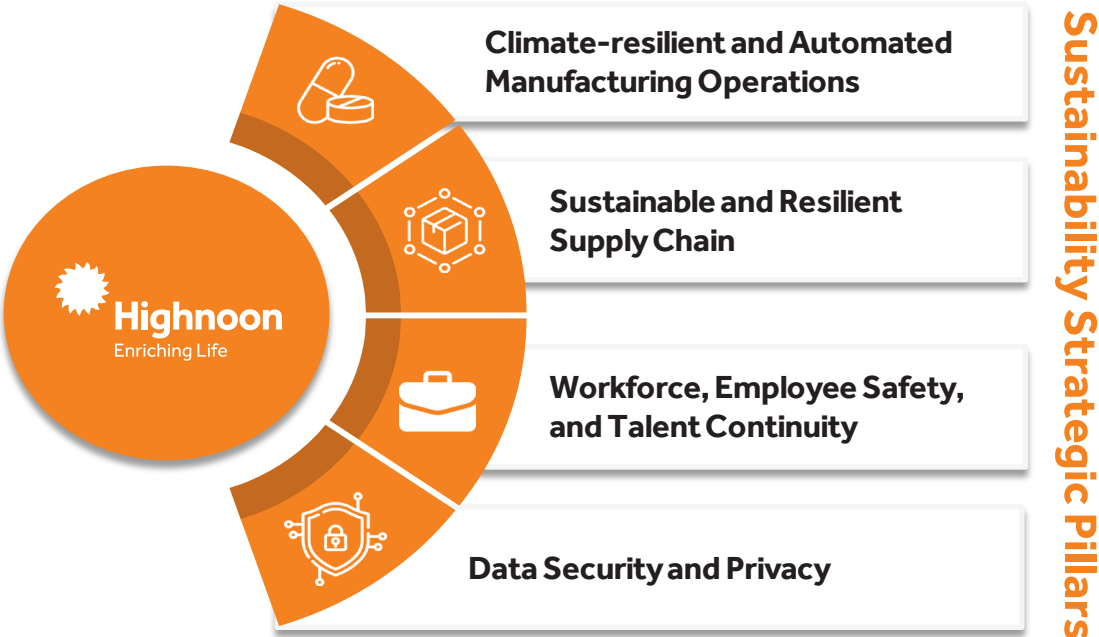
2.4. Oversight Mechanism



3. Strategy

The Group recognises that sustainability-related risks and opportunities can affect its enterprise value, financial performance, operational resilience, and long-term competitiveness. It assesses how these factors influence the business model, strategic planning, and resource allocation to manage their impact over the short, medium, and long term. The Group's business model depends on reliable access to financial resources, manufacturing infrastructure, a skilled workforce, technology, and trusted value chain relationships. Sustainability-related factors can affect these resources directly or indirectly, influencing the Group's capacity to maintain operational continuity, strengthen market competitiveness, and generate stakeholder value.

Aligned with its corporate strategy, the Group integrates sustainability considerations into strategic planning, operational decision-making, and capital allocation processes. This integration supports the resilience of the Group's business model and the resilience of the Group's business model and strategy against the sustainability-related risks and opportunities (SRROs) that could affect the enterprise value. Through materiality assessment, the Group has identified material sustainability risks and opportunities and defined four strategic priorities to guide resource allocation and operational responses to material SRROs. The strategic priorities are:



3.1. Time Horizon Framework

Highnoon Laboratories Limited defines its time horizons for assessing sustainability and climate-related risks and opportunities in alignment with its strategic planning cycles, capital allocation framework, asset lifecycles, and regulatory environment. The selected horizons are designed to ensure that sustainability-related matters are evaluated over periods consistent with financial planning, enterprise risk management, and investment decision-making processes.

The Group applies the following differentiated short, medium, and long-term horizons to assess when sustainability and climate-related risks and opportunities could reasonably be expected to affect its financial position, financial performance, and cash flows.

Time Horizon	Strategic and Financial Relevance
Short-term (1-2 years)	This horizon aligns with Highnoon’s annual budgeting cycle, quarterly rolling forecasts, and statutory reporting requirements under SECP and PSX, and the Company’s product development and regulatory approval cycle. During this period, sustainability and climate-related risks and opportunities are evaluated for their potential effects on revenue stability, operating margins, liquidity management, working capital cycles, and regulatory compliance. As investors, regulators, and creditors primarily assess performance on a quarterly and annual basis, sustainability-related factors that could reasonably be expected to influence profitability, liquidity, dividend-paying capacity, and compliance obligations are incorporated into existing financial planning and risk management processes, as they may affect near-term financial performance, investor confidence, and access to financing.
Medium-term (3-5 years)	This horizon aligns with Highnoon’s three-to-five-year strategic roadmap and capital budgeting cycle, during which initiatives such as portfolio expansion, geographic growth, operational improvements, and targeted capital investments, including IT systems, automation upgrades, and operational assets, are implemented. Within this period, sustainability and climate-related risks and opportunities are evaluated for their potential influence on competitive positioning, cost structures, regulatory compliance, and capital allocation decisions. As stakeholders typically assess performance over this timeframe using indicators such as market share growth, revenue CAGR, ROCE, EPS, and debt management, sustainability-related factors that could reasonably be expected to influence these metrics are incorporated into strategic planning, capital allocation reviews, and enterprise risk management processes.
Long-term (6-10 years)	This horizon aligns with the economic life of Highnoon’s core manufacturing assets, including buildings, production machinery, and supporting utilities, which are typically depreciated over approximately ten years, and with the Board’s evaluation horizon for major capital investments such as plant expansions, capacity enhancements, and infrastructure upgrades. Over this period, sustainability and climate-related considerations focus on structural resilience and long-term asset durability, including how evolving regulatory environments, market expectations, and environmental conditions may influence asset viability, reinvestment timing, capital allocation priorities, and financing strategies. This timeframe therefore captures the potential for sustainability-related factors to affect asset replacement cycles, export market competitiveness, regulatory standing, long-term insurance coverage, and cost of capital, which may ultimately influence enterprise value preservation and long-term competitive positioning.

4. Our Risks and Opportunities

Highnoon Group conducts a structured materiality assessment to identify sustainability and climate-related risks and opportunities that could affect its business model, value chain, corporate strategy, and future prospects. In alignment with the Enterprise Risk Management (ERM) framework, a comprehensive SRROs identification exercise was undertaken, resulting in 58 initially identified risks and opportunities. Following a structured evaluation of their potential impact and likelihood, 12 risks and 2 opportunities were prioritised as material sustainability-related risks and opportunities.

A. Material Sustainability-related Risks and their Strategic Relevance

The key sustainability-related risks that may materially impact the Group's ability to execute its strategy, maintain the resilience of its business model, and create long-term stakeholder value, together with their corresponding strategic responses and key performance and risk indicators, are outlined below:

Prioritized SRROs	Strategic Response	Key Performance Indicators / Risk Indicator
Increase in Temperature and Humidity	HVAC Upgrades, Roof Boxing, Real-time monitoring	Energy Consumption (MWh)
Smog and Air Pollution	HEPA filtration systems, Emissions testing, Air quality monitoring	SO ₂ and NO _x in Asia (Million Tons) Number of air-quality compliance incidents
Flooding	Drainage assessments, Flood barriers, Rainfall monitoring, Business continuity planning	Precipitation in Punjab (mm/day)
Water Stress	RO purification systems, Water extraction monitoring, Treatment infrastructure maintenance, Water consumption monitoring	Water Withdrawn (Megaliters) Water Consumption (Megaliters)
Carbon Tax	Energy-efficient machinery, Energy analyzer system, Energy monitoring, Renewable energy	GHG Emissions (tCO ₂ e)
Dependency on few suppliers for APIs	Supplier diversification, Safety stock management, Supplier risk assessments, Alternate supplier qualification	Critical inputs with alternates suppliers (%)
Shift to Renewable Energy	Solar capacity expansion, Renewable energy integration, Energy efficiency improvements, Energy monitoring	Percentage of energy usage from renewable source (%)
Power Outage	Backup generator capacity, Grid load expansion, Solar integration, Preventive maintenance	Energy Consumption by Source (Giga Joules)
Effluent Discharges	Wastewater treatment, Routine monitoring, ETP upgrade	Water Discharged (Megaliters)
Employee Health and Safety	PPE usage, Safety training, Fire alarms, Hazard monitoring	Injury Rate (per 200,000 hours worked)
Talent and Workforce Management	Talent management framework, Succession planning, Employee development programs, Salary benchmarking	Retention Rate Employee Engagement
Cybersecurity and Data Privacy	Firewall implementation, SOC monitoring, ERP modernization, Cybersecurity training	Number of Cybersecurity incidents Training Hours



Sustainability Related Risks

4.1. Increase in Temperature and Humidity

A. Risk Description:

Rising ambient temperatures and humidity associated with climate variability represent a chronic physical climate risk that may increase operational stress on temperature-controlled infrastructure and supporting pharmaceutical manufacturing and distribution systems.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Climate-related Physical Risk (Chronic)	Long-term	Upstream Supply Chain: Temperature-controlled transportation of raw materials Own Operations: Production areas, warehousing, HVAC systems Downstream Distribution: Cold-chain distribution of pharmaceutical products.

B. Current Effects

During FY2025, no material operational disruptions or product integrity issues were observed as a result of temperature or humidity variability across transportation,

manufacturing, warehousing, or distribution activities. However, maintaining controlled environmental conditions required for pharmaceutical production and storage operations necessitated ongoing capital investment and operational expenditure for monitoring, maintenance and energy consumption, as reflected in the operating and investing activities in Statement of cashflows.

Increase in temperature and humidity	As at 31 Dec, 2025	For the year ended 31 Dec, 2025
	Balance Sheet	Income Statement
	Property Plant and Equipment	Costs and Expenses
HVAC (Note 7)	30,700,000	1,751,765
AHU (Note 7)	35,143,533	1,757,177
Dehumidifier (Note 7)	10,174,126	763,059
Roof Boxing (Note 7)	43,500,000	-
Cooling Towers (Note 7)	5,695,860	-
Cold chain monitoring cost (Note 32)	-	2,400,000
Repair & Maintenance costs of HVAC (Note 34)	-	6,390,000

Current effects of risk on business prospects

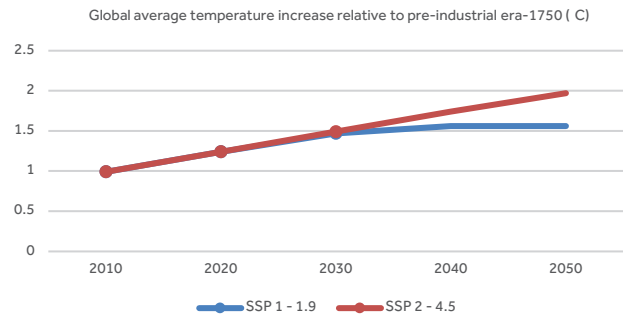
C. Anticipated Effects

Over the short to medium term, the operational impacts of this risk are expected to remain manageable. Environmental control enhancements implemented during the reporting period, along with planned short-term improvements, strengthen the Group's ability to maintain stable temperature and humidity across manufacturing, warehousing, and cold-chain distribution. These measures support continuous GMP compliance and reduce the likelihood of product quality deviations or disruptions in temperature-sensitive operations. While higher cooling demand may modestly increase electricity, maintenance, and monitoring costs, these are expected to maintain stable production and storage conditions.

Over the long term, sustained temperature and humidity increases may raise cooling demand and maintenance needs. Without adequate infrastructure, fluctuations could increase product quality deviations, or disrupt production schedules and inventory management. Continued investment in environmental control systems, facility insulation, and temperature monitoring will be essential to maintain operational resilience and product integrity under evolving climate conditions.

D. Climate Scenario Analysis

Projected temperature trends were evaluated against the Group's infrastructure to determine potential impacts on cooling demand, energy consumption, and operational monitoring requirements. The analysis indicates that rising ambient temperatures may increase the need for enhanced cooling capacity and stricter environmental controls to maintain product stability and compliance with Good Manufacturing Practice (GMP) standards. These insights have informed the identification of targeted infrastructure upgrades and the strengthening of monitoring systems to ensure operational resilience under evolving climate conditions.



Graph 1.1 – Projected global temperature pathways based on IPCC SSP Scenarios

These scenarios were used to evaluate the resilience of temperature-controlled manufacturing and distribution operations under different warming pathways

E. Adaptation Measures

The Group strengthened environmental control systems across manufacturing facilities, warehouses, and cold-chain distribution networks. During FY2025, improvements included upgrades to HVAC systems, air handling units, dehumidifiers, cooling towers, and roof insulation to reduce heat ingress. Routine preventive maintenance and continuous temperature and humidity monitoring were maintained to support GMP compliance and mitigate short to medium-term operational pressures.

Looking ahead, the Group plans further enhancements to infrastructure and monitoring to address operational stresses from evolving climate conditions. Measures include additional AHUs upgrades with an investment of Rs. 3,500,000, dehumidifiers costing Rs. 7,000,000, improved roof insulation and airflow management through roof boxing at Rs. 22,500,000, and expanded cooling tower capacity of Rs. 138,000,000, along with real-time temperature monitoring in transportation and storage. These initiatives aim to mitigate increased cooling demand, temperature fluctuations, and product quality risks, safeguarding stability and enhancing the resilience of temperature-sensitive operations.

4.2. Smog and Air Pollution

A. Risk Description:

Persistent smog and deteriorating ambient air quality pose a chronic environmental risk that can impact manufacturing operations, logistics networks, and workforce productivity, making it critical for pharmaceutical facilities to maintain controlled indoor air quality to protect product integrity and ensure compliance with regulatory standards.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Climate-related Physical Risk (Chronic)	Short to medium-term	Upstream Supply Chain: Transportation of raw materials Own Operations: HEPA Filters, Employee Health Downstream Distribution: Distribution of finished goods

B. Current Effects

During FY2025, no material disruption to manufacturing operations, distribution activities, or employee health was observed as a result of smog or ambient air pollution. Supply continuity was maintained through established inventory buffers and supply chain planning mechanisms. During the reporting period, preventive expenditures were incurred on HEPA filters and emissions testing as reflected in the investing activities in the Statement of Cash Flows.

For the year ended
31 Dec, 2025

Smog and Air Pollution	Income Statement
	Costs and Expenses
HEPA Filters (Note 34)	9,583,530
Environmental Monitoring (Note 34)	748,000

Current effects of risk on business prospects

C. Anticipated Effects

In the short to medium term, deteriorating air quality and seasonal smog may increase operational pressure on indoor air management across manufacturing and storage facilities. Higher pollution could raise reliance on filtration and monitoring systems,

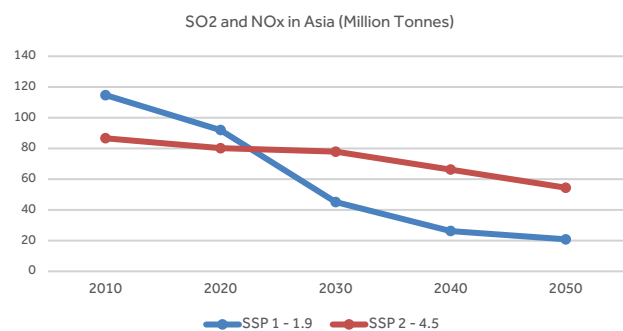
leading to modest increases in costs. Existing air-filtration infrastructure and monitoring measures provide a buffer to maintain stable indoor conditions and reduce production or product quality risks.

Over the long term, regional air quality is expected to improve necessitating ongoing maintenance and periodic upgrades of filtration and monitoring systems to ensure stable indoor conditions, compliance, and uninterrupted manufacturing.

D. Climate Scenario Analysis

Regional SO₂ and NO_x emissions are expected to decline gradually over the long term due to stronger regulations, and improved industrial controls. However, in the short to medium term, emissions may remain elevated, with seasonal smog and poor air quality persisting. This can increase pressure on air-filtration, monitoring, and ventilation systems needed to maintain controlled indoor environments and protect product integrity. Consequently,

compliance with environmental and occupational health standards may face short to medium-term risks, which are expected to ease as air quality improves over time.



Graph 1.2 – Projected SO₂ and NO_x emissions pathways in Asia under IPCC SSP Scenarios

E. Mitigation Measures

Based on findings from the climate scenario analysis, the Group manages smog and deteriorating air-quality risks through robust air-filtration systems, environmental monitoring, and workplace air-quality management practices across manufacturing and storage facilities. During FY2025, the Group maintained HEPA filtration systems, conducted emissions testing, and monitored indoor air quality to support stable production environments.

Looking forward, the Group plans to continue strengthening air-quality management through periodic upgrades of filtration systems, enhanced environmental monitoring, and preventive maintenance of ventilation infrastructure. These measures are designed to directly mitigate the short to medium-term operational pressures associated with elevated pollution and seasonal smog, safeguarding product quality, and enhancing operational resilience under varying environmental conditions.

4.3. Flooding

A. Risk Description:

Flooding arising from extreme rainfall events or inadequate urban drainage represents an acute physical climate risk that may disrupt site access, damage facility infrastructure, and compromise inventory storage conditions.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Climate-related Physical Risk (Acute)	Short to medium-term	Upstream Supply Chain: Transportation of raw materials Own Operations: Building, Production areas, Warehousing, Plant Utilities Downstream Distribution: Distribution of finished goods.

B. Current Effects

During FY2025, the Group did not experience any material operational or financial impacts due to flooding. Operational continuity was maintained through preventive site-level measures, including drainage assessments, temporary flood barriers at facility entry points, and real-time monitoring during periods of heavy rainfall.

C. Anticipated Effects

In the short to medium term, extreme rainfall or localized flooding may disrupt facility access, site utilities, and transportation for raw materials and distribution. Flooding could increase costs for drainage maintenance, infrastructure monitoring, and contingency logistics, and in severe cases may cause temporary production interruptions, equipment repairs, or inventory losses. Preventive site-level measures implemented during the reporting period help reduce water ingress, maintain safe access, and protect pharmaceutical inventory, supporting operational continuity.

Over the long term, regional precipitation patterns are expected to remain broadly stable, though localized extreme events may persist. Flooding is therefore expected to have limited structural impact, but ongoing rainfall monitoring and periodic drainage and infrastructure improvements will remain important to maintain operational stability and protect manufacturing and distribution activities.

D. Climate Scenario Analysis

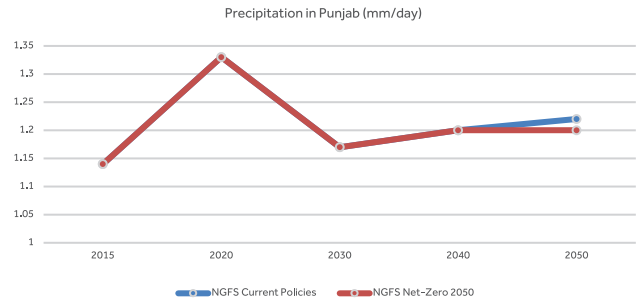
Precipitation patterns are expected to remain broadly stable over the long term, though localized short-duration extreme rainfall events may continue. While large-scale flooding risks are limited, such events can create operational pressures on facility access, site drainage, and transportation networks for raw materials and distribution. Short to medium-term risks include temporary production interruptions, localized

infrastructure impacts, and contingency logistics needs. These findings inform the Group's site-level flood preparedness, including drainage management, infrastructure monitoring, and contingency planning to maintain operational continuity.

E. Adaptation Measures

In response to precipitation variability and extreme rainfall risks identified in the climate scenario analysis, the Group manages flooding risks through site-level infrastructure measures, environmental monitoring, and operational preparedness. During FY2025, actions included drainage assessments, installation of temporary flood barriers at site entry points, and monitoring of rainfall during heavy precipitation, supporting safe access to facilities and reducing operational disruption. These measures aim to mitigate short- to medium-term pressures, safeguard production and inventory storage, and maintain uninterrupted operations across the value chain.

Looking ahead, the Group will continue to strengthen flood preparedness through periodic drainage maintenance, infrastructure monitoring, and contingency planning for logistics during extreme weather events.



Graph 1.3 – Projected precipitation trends in Punjab under NGFS climate scenarios

4.4. Water Stress

A. Risk Description:

The Group's manufacturing and quality control processes rely on a consistent supply of production-grade water for formulation, equipment cleaning, and controlled manufacturing operations. Sustained groundwater stress or deterioration in source water quality represents a chronic physical climate risk that may affect the availability and treatment requirements of water used within the Group's production facilities.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Climate-related Physical Risk (Chronic)	Long-term*	Upstream Supply Chain: Procurement costs of water-dependent raw materials Own Operations: Production processes, RO plant, equipment cleaning, Product Quality management, GMP Compliance Downstream Distribution: Production Volume

*Short-medium → operational pressure

Long term → structural water scarcity

B. Current Effects

During FY2025, the Group did not experience any material operational disruption due to water stress. Stable water sourcing arrangements and existing purification infrastructure supported uninterrupted production activities across manufacturing operations. To maintain consistent production-grade water quality, the Group incurred operational expenditures related to water treatment and extraction processes. These expenditures primarily relate to the operation and maintenance of reverse osmosis (RO) purification systems and water extraction processes used to ensure that water utilized in manufacturing meets required quality standards, as reflected in operating activities in the Statement of Cash Flows.

For the year ended
31 Dec, 2025

Water Stress	Income Statement
	Costs and Expenses
RO Maintenance Cost (Note 32)	1,000,000
Water Extraction Cost (Note 32)	1,260,000

Current effects of risk on business prospects

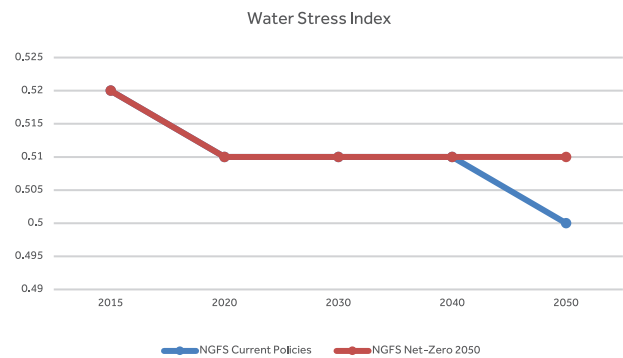
C. Anticipated Effects

Maintaining a reliable supply of production-grade water is essential for formulation, equipment cleaning, and controlled manufacturing. In the short to medium term, changes in groundwater availability and regional water stress may increase pressure on water sourcing and purification infrastructure, leading to higher operating costs for extraction, treatment, monitoring, and maintenance. Declining source water quality could require enhanced treatment, additional capacity, or increased maintenance, potentially necessitating capital investments to maintain product quality and regulatory compliance.

Over the long term, water-stress conditions are expected to remain broadly stable, though sustained demand and potential changes in source quality may require continued investment in purification, monitoring, and efficiency measures. These actions may raise capital and operating expenditures but will support operational resilience, regulatory compliance, and uninterrupted manufacturing.

D. Climate Scenario Analysis

Regional water stress is expected to remain broadly stable long term, though short to medium-term pressures from demand and source quality fluctuations may affect water sourcing, purification, and monitoring. This may increase operational and capital costs, energy use, and require additional treatment capacity, with risks moderating as water management and infrastructure improvements enhance resilience.



Graph 1.4 – Projected Water Stress Index under NGFS Climate Scenarios

E. Adaptation Measures

The Group manages water stress risks through sourcing, purification, and monitoring across manufacturing facilities. In FY2025, maintenance, water-quality monitoring, and efficiency improvements supported stable production and product quality while reducing short- to medium-term operational pressures. Looking ahead, the Group will enhance purification capacity, expand monitoring, and improve water-use efficiency to mitigate water scarcity and quality risks, ensure uninterrupted manufacturing, and maintain regulatory compliance.

4.5. Carbon Tax

A. Risk Description:

The introduction of mandatory carbon pricing mechanisms, including carbon taxes or emissions trading systems, represents a climate transition risk that may increase operating costs and compliance obligations for energy-consuming industries.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Climate-related Transition Risk (Policy & Legal)	Long-term	Upstream Supply Chain: Procurement Cost Own Operations: Production areas, Operating Costs, Stranded Assets Downstream Distribution: Customer Demand

B. Current Effects

During FY2025, the Group did not experience any material operational or financial implications arising from carbon pricing mechanisms. Currently, Pakistan has not implemented a formal nationwide carbon tax or emissions trading system applicable to the pharmaceutical sector. Furthermore, the pharmaceutical industry remains outside the scope of the European Union's Carbon Border Adjustment Mechanism (CBAM); accordingly, the Group has not been subject to any carbon pricing-related export levies. The current effects are also reflected in investing activities in Statement of cashflows.

	As at 31 Dec, 2025	For the year ended 31 Dec, 2025
Carbon Tax	Balance Sheet	Income Statement
	Property Plant and Equipment	Costs and Expenses
Energy efficient machinery (Note 7)	90,870,732	4,110,704

Current effects of risk on business prospect

C. Anticipated Effects

Over the short to medium term, the financial and operational implications of carbon pricing are expected to remain limited, as Pakistan has not yet implemented a formal carbon tax or emissions trading system applicable to the pharmaceutical sector. The Group is therefore not currently subject to direct carbon pricing obligations, with

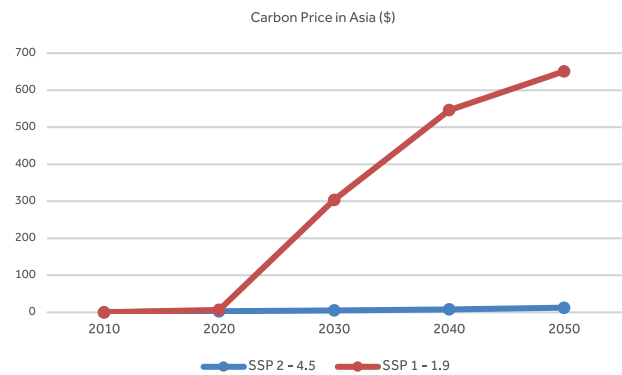
near-term focus on monitoring regulatory developments and strengthening emissions tracking practices.

Over the long term, potential alignment of Pakistan’s regulatory framework with its Nationally Determined Contributions (NDCs) under the Paris Agreement may lead to the introduction of carbon pricing or similar mechanisms. This could increase cost exposure through energy pricing, compliance requirements, and value chain impacts.

D. Climate Scenario Analysis

Scenario projections for Asia indicate a gradual strengthening of carbon pricing mechanisms as countries advance their commitments under the Paris Agreement. While Pakistan has not yet implemented a formal framework for the pharmaceutical sector, evolving policies may introduce carbon-related compliance requirements, including emissions monitoring, reporting, and indirect value chain cost pressures.

In the short term, impacts are expected to remain limited; however, carbon-related costs and compliance obligations may increase over the medium to long term as regulatory frameworks evolve. Exposure is expected to be higher under the SSP1-1.9 pathway, reflecting stronger policy ambition and higher carbon price trajectories.



Graph 1.5 – Projected Carbon Price Trajectories in Asia under IPCC SSP Scenarios

E. Adaptation Measures

In response to carbon-pricing risks, the Group is enhancing energy management and emissions monitoring across its manufacturing operations. During FY2025, energy-efficient machinery was installed to improve production efficiency and reduce energy intensity, supporting preparedness for potential carbon pricing or emissions-related regulations.

Looking ahead, the Group plans to implement an energy analyzer system with an investment of Rs. 13,000,000 to enhance facility-level energy visibility and emissions tracking. Opportunities for energy optimization and renewable energy integration continue to be evaluated, supporting operational efficiency and long-term resilience against evolving carbon pricing frameworks.

4.6. Dependency on few Suppliers for APIs

A. Risk Description:

Pharmaceutical manufacturing relies on a stable and diversified supply of Active Pharmaceutical Ingredients (APIs) to ensure uninterrupted production, product quality, and consistent market availability.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Operational/Supply Chain Risk	Short to Long-term	Upstream Supply Chain: Raw Material Procurement Cost, Transportation of raw materials Own Operations: Production delays Downstream Distribution: Distribution of finished goods

B. Current Effects

During FY2025, the Group experienced no manufacturing disruptions or production shortages due to API supplier dependency. Procurement remained stable, supported by existing supplier relationships, monitoring, and inventory planning to ensure consistent availability of critical raw materials. No material capital expenditure related to supplier-concentration risk was recorded.

C. Anticipated Effects

Global pharmaceutical supply chains are vulnerable to geopolitical, regulatory, and logistical disruptions affecting API availability. Dependence on a limited supplier base heightens exposure to production, compliance, and transport risks. Maintaining a stable raw material supply is critical, as over the long term, supplier concentration may increase costs, require inventory adjustments, and lead to production delays and potential revenue impacts.

D. Mitigation Measures

The Group mitigates supply chain risks through supplier diversification and inventory management to ensure stable API availability and uninterrupted manufacturing. Resilience efforts include qualifying alternate suppliers, strengthening monitoring and risk assessments, and securing additional sources and long-term procurement for single-source APIs to reduce concentration risk and maintain consistent production.

4.7. Shift to Renewable Energy

A. Risk Description:

The global transition toward renewable energy represents a climate transition risk that may require energy-intensive industries to adapt their energy sourcing strategies, invest in renewable infrastructure, and align with evolving regulatory and market expectations.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Climate-related Transition Risk (Technology)	Short to medium-term	Upstream Supply Chain: Energy Dependence Own Operations: Production Facility, Transportation Fleet, Plant Utilities Downstream Distribution: Low Carbon Products

B. Current Effects

During FY2025, no material operational disruptions or production constraints were observed as a result of the Group's transition toward renewable energy. The existing solar infrastructure contributed approximately 3.26% of total energy consumption, supporting a gradual transition towards renewable energy. The Group's partial transition towards renewable energy as a result of investment in solar panels is also reflected in investing activities in statement of cashflows.

As at 31 Dec, 2025

Shift to Renewable Energy	Balance Sheet
	Property Plant and Equipment
Solar Installation (Note 7)	30,000,000

Current effects of risk on business prospects

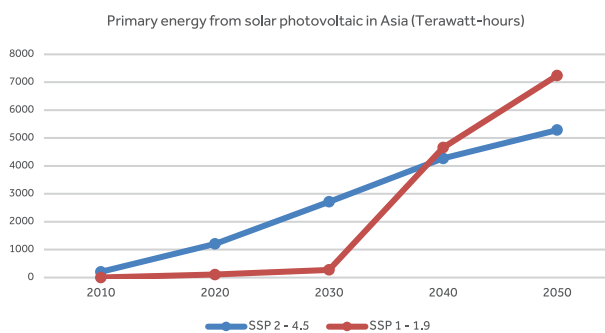
C. Anticipated Effects

In the short to medium term, the transition to renewable energy may require continued investments in solar capacity and facility-level energy management to support stable manufacturing. Existing solar infrastructure and ongoing initiatives provide an operational buffer, supporting gradual energy diversification and mitigating exposure to evolving climate regulations.

Over the long term, further expansion of renewable capacity, advanced energy management, and efficiency improvements may incur incremental capital costs. Increased renewable integration is expected to enhance operational resilience, reduce long-term energy costs, and support alignment with emerging climate policies and decarbonization expectations.

D. Climate Scenario Analysis

The global shift toward renewable energy is expected to continue, driven by climate policies and reduced reliance on fossil fuels. In the short to medium term, companies may face risks from energy cost volatility, infrastructure adaptation, and capital investments needed to diversify energy sources, integrate renewables, and strengthen energy management. These risks are expected to moderate over time as renewable infrastructure and energy management capabilities are enhanced.



Graph 1.6 — Projected Primary Energy from Solar PV in Asia under IPCC SSP Scenarios

E. Mitigation Measures

The Group manages renewable energy transition risks through a phased strategy focused on expanding on-site solar generation and improving energy efficiency. During FY2025, solar capacity was increased and integrated into facility operations to reduce grid reliance and enhance energy cost stability.

Looking ahead, further expansion of solar capacity and improvements in energy monitoring and efficiency are planned to increase renewable electricity’s share in the energy mix through an investment in solar panels amounting to Rs. 10,000,000. These measures aim to mitigate operational and cost pressures, support continuity, enhance long-term energy cost stability, and align with emerging climate and energy transition trends. The Group expects its energy sourcing strategy to remain resilient under assessed climate pathways.

4.8. Power Outage

A. Risk Description:

Pharmaceutical manufacturing relies on stable and continuous electricity supply to maintain production processes, and environmental controls. Unreliable grid electricity represents an operational risk that may disrupt production continuity, compromise product output, and increase operational inefficiencies.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Operational / Infrastructure Risk	Short to medium-term	Upstream Supply Chain: Reliability and cost of grid electricity supply Own Operations: Manufacturing continuity, environmental control systems, and temperature-controlled warehousing Downstream Distribution: Product availability and distribution continuity

B. Current Effects

During FY2025, grid power outages did not result in any material operational disruptions or production losses across manufacturing operations. However, maintaining uninterrupted power supply for pharmaceutical production required continued reliance on backup power system to support operational continuity during intermittent grid instability. These operational expenses are also reflected in operating activities in statement of cashflows.

For the year ended
31 Dec, 2025

Power Outage	Income Statement
	Costs and Expenses
Diesel for Generators (Note 32)	70,300,000
Rental for Generators (Note 32)	12,900,000

Current effects of risk on business prospects

C. Anticipated Effects

Over the short to medium term, continued grid instability and periodic power outages may increase operational reliance on backup power systems to maintain stable

electricity supply for production processes and environmental control systems across the Group's manufacturing facilities. This may lead to higher operating expenditures associated with diesel fuel consumption, generator maintenance, equipment monitoring, and contingency operational management. In certain cases, extended outages could also result in temporary production delays if backup capacity is insufficient to fully sustain operational loads.

Over the long term, the Group plans to integrate backup generation capacity and energy infrastructure improvements into the Group's operations, so the potential operational impact of grid instability is expected to stabilize. Strengthened energy resilience, combined with improved power management systems and integration with on-site renewable energy infrastructure, is expected to support stable manufacturing operations and reduce exposure to grid-related disruptions over time.

D. Mitigation Measures

The Group manages power outage risks through investments in backup power infrastructure and operational contingency planning designed to ensure uninterrupted electricity supply for manufacturing operations. The Group plans to strengthen power resilience through the installation of additional generator capacity of 1,275 kVA through an investment amounting to Rs. 130,000,000 and expansion of grid load capacity by approximately 1,500 kW by 2026, enabling backup systems to more closely match full operational power requirements during outages. The Group also plans to enhance electrical infrastructure to support integration with existing on-site solar generation infrastructure, thereby reducing reliance on diesel-based generation over time. Periodic load-testing of backup systems, preventive maintenance protocols, and improved inventory management for critical inputs are also planned to support uninterrupted production operations.

4.9. Effluent Discharge

A. Risk Description:

Pharmaceutical manufacturing generates process wastewater that must meet stringent environmental standards to ensure regulatory compliance and environmental protection. Non-compliance with Environmental Protection Agency (EPA) effluent discharge regulations represents an environmental and regulatory risk.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Environmental and Regulatory Compliance Risk	Short to medium-term	Upstream Supply Chain: Procurement of wastewater treatment chemicals Own Operations: Effluent treatment plant (ETP) operations, wastewater monitoring, and regulatory compliance

B. Current Effects

During FY2025, the Group incurred modest effluent management costs for treatment, monitoring, and water quality testing, as reflected in operating activities in statement of cashflows. These expenditures were immaterial to overall operating expenses and profitability, reflecting a proactive approach to regulatory compliance, environmental risk mitigation, and long-term operational resilience.

For the year ended
31 Dec, 2025

Effluent Discharge	Income Statement
	Costs and Expenses
Regulatory Compliance Penalty (Note 34)	250,000
ETP Operational Expense (Note 34)	109,430

Current effects of risk on business prospects

C. Anticipated Effects

In the short to medium term, stricter environmental regulations may increase effluent treatment costs and, if regulatory standards are not met, lead to fines, remediation, or operational interruptions. Ongoing maintenance and planned upgrades are expected to mitigate these impacts. Long term, wastewater systems are expected to operate with

greater stability and compliance, keeping financial and operational risks manageable and supporting uninterrupted manufacturing.

D. Mitigation Measures

The Group manages effluent discharge risks through wastewater treatment and monitoring systems designed to ensure compliance with applicable environmental standards. During FY2025, the Group incurred routine monitoring, laboratory testing, and maintenance expenditures to maintain wastewater quality within permissible discharge limits. The Group plans to strengthen wastewater management practices through the planned upgrade of the ETP (with an estimated cost of Rs. 10,000,000) to enhance treatment capacity and operational efficiency. The Group also intends to continue evaluating longer-term wastewater management solutions, including advanced wastewater treatment technologies, to further strengthen environmental performance and reduce regulatory risk.

4.10. Employee Health and Safety

A. Risk Description:

Pharmaceutical manufacturing involves operational exposure to active ingredients, specialized machinery, and controlled production environments, making workforce health and safety a critical sustainability consideration.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Operational Risk – Occupational Health and Safety	Short-term	Upstream Supply Chain: Contractor Safety, Supplier Workforce Compliance Own Operations: Workforce health and safety, regulatory compliance, workforce productivity Downstream Distribution: Operational Continuity

B. Current Effects

During FY2025, two workplace injuries and minor incidents involving potential exposure to cephalosporin dust were recorded during routine manufacturing operations. These incidents required precautionary measures, including enhanced monitoring and increased use of personal protective equipment (PPE), to maintain appropriate occupational safety standards. The resulting operating impacts are also reflected in the operating activities in the Statement of Cash Flows. While no material financial losses or operational disruptions occurred during the reporting period.

For the year ended
31 Dec, 2025

Employee Health and Safety	Income Statement
	Costs and Expenses
Fire Extinguisher Refilling (Note 34)	
Annual Medical check-up cost (Note 32)	
ISO 45001 Certification (Note 34)	

Current effects of risk on business prospects

C. Anticipated Effects

Over the short to medium term, workplace safety incidents or increased occupational exposure risks may require continued strengthening of safety monitoring, operational oversight, and preventive health measures across manufacturing operations. This may lead to increased operating expenditures related to safety training, employee medical surveillance, environmental monitoring, and compliance audits.

Over the long term, the Group expects workplace safety risks to remain well managed within existing operational frameworks. Strengthened occupational health management systems and continued workforce training are expected to support regulatory compliance, maintain employee well-being, and ensure uninterrupted pharmaceutical manufacturing operations.

D. Mitigation Measures

The Group manages employee health and safety risks through a comprehensive Occupational Health and Safety (OHS) management system designed to maintain safe workplace conditions across its operations. During FY2025, the Group continued implementing workplace safety measures including PPE usage, employee medical surveillance programs, and periodic safety training to reduce exposure risks. Looking ahead, the Group plans to further strengthen occupational safety infrastructure through the installation of an enhanced fire alarm system costing Rs. 18,000,000 and continued improvements in engineering controls and safety monitoring practices. Additional initiatives include increased frequency of safety training programs, strengthened incident reporting mechanisms, regular compliance audits, and enhanced workplace hazard monitoring. These measures are intended to reduce workplace safety risks, protect employee well-being, and maintain compliance with occupational health and safety standards.

4.11. Talent and Workforce Management

A. Risk Description:

The pharmaceutical sector depends on a skilled workforce for operational continuity, product quality, and strategy execution, making talent management a key risk to workforce stability and productivity.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Human Capital / Operational Risk	Short to medium-term	<p>Upstream Supply Chain: Availability of skilled workforce and specialized technical talent</p> <p>Own Operations: Human Capital management, Employee Turnover, Productivity Loss, and succession continuity</p> <p>Downstream Distribution: Product availability and continuity of business operations</p>

B. Current Effects

During FY2025, no material operational disruptions or financial losses occurred due to workforce attrition or talent shortages. The Group identified Business Critical Positions (BCPs) and High-Potential Employees (HiPos), enhancing visibility over key roles, succession planning, and employee development to support operational continuity.

C. Anticipated Effects

Short - to medium-term labour market pressures and demand for specialized pharmaceutical talent may challenge recruitment and retention, affecting efficiency, stability, and costs. Over the long term, structured talent management, leadership development, and succession planning are expected to sustain workforce stability and operational continuity.

D. Mitigation Measures

The Group manages workforce risks through structured recruitment, performance management, and succession planning. In FY2025, it developed a Talent Management Framework, with implementation planned for early 2026. Ongoing initiatives include employee development, salary benchmarking, performance evaluations, training needs assessments, development plans, and exit interviews to support retention and workforce planning.

4.12. Cybersecurity and Data Privacy

A. Risk Description:

Pharmaceutical operations increasingly depend on interconnected IT systems, enterprise resource planning (ERP) platforms, digital communication tools, and manufacturing execution systems, making cybersecurity and data privacy a critical digital and operational risk.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Digital / Operational Resilience Risk	Short to medium-term	Upstream Supply Chain: Vendor and Third-party Confidential Information Own Operations: ERP systems, production planning, enterprise data security, and business continuity Downstream Distribution: Customer and stakeholder confidential information, service continuity, and trust

B. Current Effects

During FY2025, the Group experienced an elevated cybersecurity risk environment, including increased phishing attempts reflecting the growing prevalence of AI-enabled cyber threats. However, precautionary measures and strengthened IT controls implemented during the year prevented any material operational disruptions or financial losses. These expenditures support improved protection of enterprise systems and sensitive operational data while strengthening resilience against evolving cybersecurity threats, as reflected in operating and investing activities in statement of cashflows.

Cybersecurity and Data Privacy	As at 31 Dec, 2025	For the year ended 31 Dec, 2025
	Balance Sheet	Income Statement
	Intangible Assets	Costs and Expenses
SAP annual Maintenance cost (Note 34)	-	11,012,855
Firewall cost (Note 8)	5,734,563	1,274,347

Current effects of risk on business prospects

C. Anticipated Effects

Over the short to medium term, increasing cyber threats may elevate operational risks associated with the Group's digital infrastructure. Given the reliance on ERP systems and digital communication tools, cybersecurity incidents could affect production planning, supply chain coordination, and administrative operations if not adequately managed. These conditions may also lead to higher operating expenditures related to cybersecurity monitoring, software licensing, infrastructure upgrades, incident response, and recovery activities.

In addition, cyber incidents could expose the Group to regulatory penalties, litigation costs, and reputational damage if sensitive data or critical systems are compromised. Over the long term, continued investment in cybersecurity infrastructure and modernisation of digital systems is expected to enhance system reliability and operational resilience. Strengthened governance frameworks, periodic security audits, and employee awareness programmes are expected to support effective cyber risk management. As these measures mature, the potential operational and financial effects of cybersecurity threats are expected to remain manageable while supporting the protection of sensitive operational and stakeholder data.

D. Mitigation Measures

The Group manages cybersecurity and data privacy risks through a structured governance framework aligned with international information security standards. During FY2025, licensed firewall systems were implemented and integrated with existing IT infrastructure to strengthen network security controls. Microsoft 365 security systems with automated updates and Security Operations Center (SOC) monitoring provide continuous threat detection and system monitoring. The Group continues to strengthen its cybersecurity posture through ongoing modernization of ERP and digital systems, enhanced device and network security controls, and expanded cybersecurity awareness training for employees. Additional initiatives include strengthening disaster recovery and business continuity planning, conducting regular internal IT audits, and enhancing incident response capabilities. These measures are intended to reduce exposure to cyber threats and support the protection of sensitive operational and stakeholder data.



Sustainability Related Opportunities

4.13. Demand for Low Carbon Products

A. Opportunity Description:

Growing global focus on climate change mitigation and sustainability is increasing demand for low-carbon products across industries. This shift is also influencing expectations of reducing environmental impacts of pharmaceutical product packaging materials.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Market / Product Stewardship Opportunity	Long-term	Upstream Supply Chain: Availability and sourcing of sustainable packaging materials Own Operations: Packaging design, material optimization, and process efficiency Downstream Distribution: Customer expectations, market access, and product positioning

B. Current Effects

During FY2025, no material operational or financial effects were observed from market-driven demand shifts related to environmentally responsible pharmaceutical packaging. In the primary markets of pharmaceutical industry in which the Group operates, there were limited regulatory requirements or customer expectations that specifically mandated sustainable packaging attributes. Accordingly, no incremental revenue opportunities or material additional operating expenditures directly associated with this opportunity were recorded during the reporting period. The Group nevertheless continues to monitor evolving regulatory developments, sustainability frameworks, and market expectations that may influence future demand for more sustainable packaging.

C. Anticipated Effects

Over the long term, strengthening sustainability expectations may gradually increase demand for pharmaceutical products using lower-impact packaging materials. Where customer and market expectations evolve in this direction, companies adopting more resource-efficient and environmentally responsible packaging approaches may gain commercial or positioning advantages.

Responding to this trend may require investment in packaging-material optimisation, sustainable material alternatives, and improvements in packaging process efficiency. These initiatives may involve incremental capital expenditure and operating adjustments over time. If successfully aligned with market expectations, this may also support customer relationships, market access, and long-term revenue resilience.

D. Strategic Initiative to realize the opportunity

The Group intends to monitor regulatory developments, sustainability frameworks, and stakeholder expectations related to environmentally responsible packaging materials. As part of its forward-looking strategy, the Group will evaluate opportunities to reduce the environmental impact of packaging through material optimisation, improved resource efficiency, and sustainable packaging initiatives. Supplier engagement will support assessment of sustainable material availability and supply-chain readiness, while internal process optimisation will support more efficient packaging design and use. Through the gradual integration of these practices, the Group aims to strengthen preparedness for evolving market expectations and support longer-term commercial resilience.

4.14. Automation and Artificial Intelligence

A. Opportunity Description:

Automation and artificial intelligence represent a strategic opportunity for the Group as pharmaceutical manufacturing and supply chains continue to undergo digital transformation.

Risk Category	Expected time horizon for risk occurrence	Impact location within the business model and value chain
Operational Efficiency / Digital Transformation Opportunity	Short to medium term with longer-term productivity benefits	<p>Upstream Supply Chain: Supplier coordination, input planning, and production scheduling data</p> <p>Own Operations: Production processes, asset utilization, quality monitoring, and operational planning</p> <p>Downstream Distribution: Product availability, fulfillment efficiency, and customer service responsiveness</p>

B. Current Effects

During FY2025, the Group strengthened its digital infrastructure by integrating core systems across planning, production scheduling, inventory, and asset management, reducing manual processing, and improving data accuracy. While benefits were primarily operational, these integrations also improved process transparency and efficiency across manufacturing and administrative functions.

C. Anticipated Effects

Continued adoption of automation, advanced analytics, and selected AI-enabled tools over the short, medium and long term may enhance operational efficiency across manufacturing, supply chain planning, and quality management processes. Greater automation of routine activities and improved analytics may reduce process variability, minimise batch failures, and strengthen production-planning capability.

D. Strategic Initiative to realize the opportunity

The Group’s digital transformation initiatives include batch automation, AI-enabled monitoring, predictive maintenance, real-time analytics, and integrated planning. Investments in IT modernization, cybersecurity, and workforce training support reliable digital operations, improved efficiency, regulatory compliance, and scalable growth.

5. Climate Scenario Analysis

In 2025, the Group conducted a climate-related scenario analysis covering its operations in Pakistan. The assessment evaluated the implications of key physical and transition risks on the Group’s business model, strategy, and long-term operational resilience, considering risk likelihood, severity in terms of operational disruption or cost impact, and the Group’s adaptive capacity across short, medium, and long-term horizons aligned with and extending beyond strategic planning periods. The analysis supports understanding of risk trajectories and informs decision-making by identifying areas where residual exposures may persist or intensify over time.

A. Methodology and Scenario Selection

The analysis applies a combination of physical- and transition-risk pathways using Shared Socioeconomic Pathways (SSP) and Network for Greening the Financial System (NGFS) scenarios to capture climate outcomes alongside policy and market responses, enabling assessment under varying warming trajectories and transition environments. Key details of scenario selection and coverage are as follows:

Scenarios Selected		Temperature Alignment	Key Assumptions
Higher-warming scenarios used to assess physical risk exposure	NGFS Current Policies	Represents a higher-warming pathway with delayed global mitigation, where warming is expected to reach approximately 2–3°C above pre-industrial levels by the end of the century.	<ul style="list-style-type: none"> Intensified heat and humidity conditions impact operational environments and workforce productivity. Increased precipitation intensity results in increased flood probability in operational regions. Regional water stress reflecting higher demand and limited mitigation. Slower reductions in air pollutants and delayed regulatory intervention.
	SSP2-4.5		
Accelerated-transition scenarios used to assess policy, market and technology transition risks	NGFS Net-Zero 2050	Represents an accelerated global decarbonization pathway broadly aligned with the Paris Agreement ambition of limiting warming to around 1.5–2°C above pre-industrial levels.	<ul style="list-style-type: none"> Rapid expansion of renewable energy (solar PV) and reduced reliance on fossil fuels. Accelerated carbon pricing and emissions regulation. Improved air quality and pollution control measures. Moderated extreme weather events and resource stress.
	SSP1-1.9		

The table below summarizes the potential exposure of key climate-related risks under contrasting physical and transition scenarios, indicating both the expected impact level and the underlying rationale for each scenario:

Climate Risk	Scenario Pathways	Projected Exposure	Scenario Narrative
Temperature and Humidity	SSP2-4.5	High	Rising temperatures approaching ~2°C by 2050 increase chronic operational and workforce exposure.
	SSP1-1.9	Medium	Warming moderated, residual exposure manageable with adaptation measures.
Smog and Air Pollution	SSP2-4.5	Medium-High	Slower emissions reduction maintains higher pollutant levels, sustaining operational and compliance pressure.
	SSP1-1.9	Low-Medium	Accelerated decarbonization reduces emissions, lowering air quality-related risks.
Flooding	NGFS Current Policies	Medium	Slight increase in precipitation intensity elevates flood probability and infrastructure exposure.
	NGFS Net Zero 2050	Low	Moderated warming stabilizes precipitation trends, reducing flood exposure.
Water Stress	NGFS Current Policies	Medium	Slightly elevated demand and temperature increase residual scarcity risk.
	NGFS Net Zero 2050	Low	Resource efficiency improvements and moderated warming reduce scarcity exposure.
Carbon Pricing	SSP2-4.5	Low-Medium	Slower policy escalation results in lower near-term regulatory cost exposure.
	SSP1-1.9	Medium-High	Accelerated decarbonization drives sharp increases in carbon price, increasing cost exposure.
Shift to Renewable Energy	SSP2-4.5	Medium	Slower renewable adoption creates moderate transition pressure.
	SSP1-1.9	Medium-High	Rapid renewable energy growth accelerates asset reallocation and competitive pressure.

5.1. Resilience Assessment

The Group has undertaken an assessment of the resilience of its strategy against evolving sustainability and climate-related risks and opportunities. Its strategic planning process incorporates insights from enterprise risk management and climate scenario analysis to evaluate how physical and transition factors could affect operations, financial outcomes, asset reliability, and long-term value generation. The findings from these assessments guide capital deployment decisions, operational improvement programmes and long-term investment direction, enabling Group's strategy to remain aligned with a spectrum of plausible future developments, including regulatory changes, shifts in energy markets, technological progress, and physical climate impacts.

The Group's strategic priorities are intended to strengthen resilience to chronic and acute physical risks, transition risks, and broader sustainability-related exposures through targeted investment in manufacturing resilience, energy systems, environmental management, and digital capabilities.

The Group recognizes that considerable uncertainty persists regarding how climate change may materialise at the regional level, particularly with respect to temperature fluctuations, the intensity and frequency of extreme weather events, and the trajectory of policy-driven carbon pricing. Such uncertainties complicate efforts to anticipate the exact timing, magnitude, and geographic distribution of climate-related effects on assets, infrastructure, supply chains, and operational environments.

Despite these uncertainties, the climate scenario analysis indicates that the Group's business model is expected to remain operationally resilient across the scenarios assessed, provided that planned resilience measures and investment priorities continue to be implemented. Continuous evaluation of financing structures and capital planning is expected to support the financial flexibility required to advance climate-related investments. This integrated strategy is designed to safeguard strategic flexibility, ensure sufficient capital availability, and maintain resilience under varying physical and transition risk pathways, thereby underpinning sustainable long-term value creation.

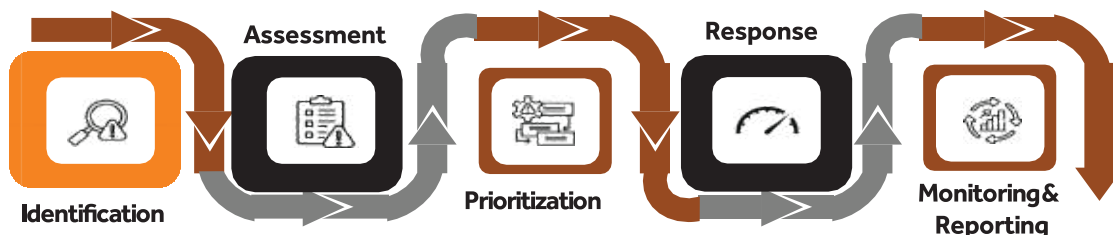
The findings from this analysis inform the relative prioritisation of climate-related risks and the resilience measures described in the individual risk profiles.

6. Risk Management Process

The Group adopts a systematic approach to identifying, assessing, prioritizing, and monitoring sustainability and climate-related risks and opportunities through its integrated Enterprise Risk Management (ERM) framework. The ERM framework establishes methodological guidelines, response strategies, governance structures, and defined responsibilities, supporting all stages of the risk management cycle from identification and analysis to prioritization, monitoring, and reporting, thereby enabling informed decision-making aligned with established governance practices.

Sustainability and climate-related risks are incorporated within the ERM framework, which categorizes risks into financial, strategic, operational, and compliance areas, and are assessed using the same identification, likelihood-impact evaluation, prioritization, and monitoring processes as other enterprise risks. During the reporting period, the Group also incorporated short, medium, and long-term time horizons into the ERM process to ensure consistency in the assessment of sustainability-related and other enterprise risks.

The Group's risk management process is outlined below:



6.1. Identification of Risk and Opportunity

The Group follows a structured methodology to identify sustainability and climate-related risks and opportunities that could affect its prospects. Potential risks are identified through analysis of entity-specific and external evidence, considering the Group's operations and activities across the entire value chain, its dependencies and impacts, and external environment in which the Group operates.

The process also draws on multiple frameworks and sources, including the Biotechnology and Pharmaceuticals SASB Standard, CDSB guidance on water and biodiversity-related disclosures, SECP ESG Disclosure Guidelines, industry

benchmarking, engagement with internal risk champions, the existing risk register, and other risk identification tools outlined in ERM framework.

This process results in a comprehensive compilation of risks, organized into categories and subcategories to form the Group's enterprise risk profile. Risk categories continue to evolve with emerging internal developments and external operating environment. The Risk Management Function reviews and updates the taxonomy annually, and the Board oversees its alignment with Group's strategy and enterprise value.

6.2. Assessment of Risk and Opportunity

Following risk identification, sustainability and climate-related risks and opportunities are assessed through an organization-wide risk assessment process. To assess the risks, structured assessment tools are circulated to respective risk champions, enabling them to evaluate function specific SRROs. Risk assessment is conducted using a structured likelihood-impact assessment matrix defined within the Group's ERM framework. Likelihood reflects the probability of occurrence based on historical trends, scenario analysis, and forward-looking indicators, while impact considers potential financial, operational, regulatory, and reputational consequences. These criteria enable consistent prioritization of sustainability-related risks alongside other enterprise risks. This process results in inherent risk evaluations of all SRROs that may affect the Group's prospects.

During this process, risk champions also identify the current and anticipated effects of SRROs on the Group's business model and value chain, including where in the business model and value chain these risks and opportunities are concentrated. Subsequently, risk champions evaluate the effectiveness of existing controls using a structured Control Effectiveness Grid, resulting in residual risk ratings that reflect the degree of exposure remaining after consideration of existing control measures. Residual risk ratings also incorporate considerations such as the velocity of risk occurrence and the adequacy of the internal control environment in responding to critical risks.

In parallel, sustainability and climate-related opportunities are evaluated through the Group's project evaluation process, which incorporates consideration of financial viability, environmental and social impacts, and regulatory compliance. Project evaluations are undertaken within the context of the Group's strategic business planning cycle.

6.3. Prioritization of Risk and Opportunity

The Group prioritizes SRROs through a structured evaluation of their likelihood, magnitude of impact, and relevant time horizons. Identified risks are compared against the Group's defined risk appetite and tolerance thresholds duly approved by the Board to determine their relative priority within the enterprise risk profile. The Group prioritizes only those risks that are considered to potentially affect the Group's performance and future cash flows over the short, medium and long-term time horizon.

Sustainability-related opportunities are also prioritized based on potential impact, feasibility, and alignment with strategic objectives, including relevance to core operations, stakeholder expectations, and long-term value creation.

A consolidated dashboard of prioritized SRROs is prepared by the ERM Function and submitted to the CEO for review and approval. The CEO evaluates these exposures in relation to their potential impact on operational and financial performance. Following approval, prioritized risks and related mitigation actions are incorporated into the Group's budgeting and financial planning processes to ensure appropriate and timely resource allocation without compromising the achievement of Group's strategic objectives.

A. Judgements and Measurement

The identification, evaluation, and prioritization of SRROs involve judgement and inherent uncertainty, as risk ratings are based on internal data, scenario assumptions, historical trends, and forward-looking factors. Given the dynamic nature of climate, regulatory, market, and operational conditions, actual outcomes may differ from current assessments, with evolving external circumstances and stakeholder expectations potentially affecting these evaluations.

6.4. Response

The risk assessment process provides input to the risk response phase. During this phase, various options are evaluated, cost-benefit analyses are performed, and response strategies and plans are developed. The Group applies a structured approach to implement controls based on identified SRROs and available resources, using a hierarchy of control types that includes avoid, mitigate, transfer, pursue, accept, and share. These controls are embedded within business processes, and are developed in

coordination with risk owners and risk champions. It is then reviewed by the Risk Management Function for the final approval from Ex-Com and the Board.

Once the response plans are developed, they are tested against the response effectiveness criteria which has been established by the Group to evaluate its effectiveness in accordance with their ERM Framework.

6.5. Monitoring and Reporting

Monitoring and reporting processes are established to ensure the effective functioning of governance, risk management, and compliance systems, enabling management decisions to be supported by timely and reliable information. Key Performance Indicators (KPIs), both qualitative and quantitative, are defined for each prioritized sustainability and climate-related risk and opportunity (SRRO) at the departmental level, aligned with operational and strategic objectives. KPI insights inform risk assessments, management reviews, and strategic decision-making, allowing leadership to evaluate sustainability risks in the context of business performance, regulatory requirements, and long-term objectives.

The Executive Committee reviews sustainability and climate-related risks monthly to assess risk adequacy and monitor mitigation or adaptation progress, including target achievement where applicable. An annual consolidated Risk Oversight Report is prepared, integrating financial and sustainability-related risks exposures, and is reviewed by Risk Management and Sustainability Committees for a coordinated enterprise-wide view. Sustainability opportunities are monitored to track performance, implementation, and contribution to long-term value creation.

The Risk Management Function supports this process by providing guidance, tools, and training to strengthen risk awareness and institutionalize risk ownership across the organization. Through continuous monitoring within the ERM framework, the Group ensures that emerging risks and opportunities are identified in a timely manner and addressed in alignment with its strategic and sustainability objectives. Insights from the risk monitoring process are incorporated into strategic planning, capital allocation decisions, and operational improvement programs to strengthen the Group's long-term resilience.

7. Metrics and Targets

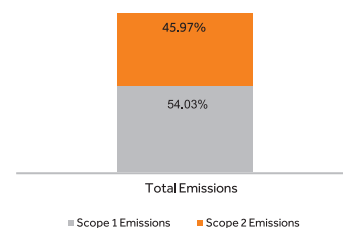
7.1. Cross-Industry Metrics

A. Greenhouse Gas Emissions

The Group measures its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). In setting organizational boundary of GHG emissions, the Group selects an operational control approach for consolidating GHG emissions and then consistently applies the selected approach for all its business units, and facilities. The Group has selected this approach because it operates as an integrated pharmaceutical manufacturing company with centralized governance and control over its production facilities and operations. Given this centralized operational structure, the operational control approach provides the most accurate representation of how entity's greenhouse gas (GHG) emissions are measured, managed, and reduced. By applying this approach, the Group captures emissions from all operations where it has the authority to introduce and implement operating policies.

The Group's gross greenhouse gas emissions generated during the reporting period were 6,215.8 tons of CO₂ equivalent. Scope 2 emissions are currently reported using the location-based method as market-based electricity emission factors or renewable energy procurement instruments are not presently available within the Group's electricity sourcing arrangements.

GrossGHG Emissions	Amount
Scope 1 Emissions (tCO ₂ e)	3,358.56
Scope 2 Emissions: Location Based (tCO ₂ e)	2,857.28
Total Gross Emissions(tCO₂e)	6215.84
Emissions Intensity (tCO ₂ e/million PKR revenue)	0.176



A.1. Targets – Decarbonization Pathway

The Group has planned to take a step-by-step approach to decarbonization. In the current reporting period, the Group has established a baseline for Scope 1 and Scope 2

emissions and aim to complete the Scope 3 baseline by 2027. The Group is also evaluating to define medium-to-long-term decarbonisation targets, aligned with energy efficiency improvements, increased renewable energy adoption, and operational optimization initiatives.



A.2. Judgements and Measurement Uncertainty

Both the selection of the operational control approach and the identification of operations over which the group has operational control are areas of significant judgement. Management has also applied judgement in determining the calculation methods that are most appropriate for each category of emissions depending on the availability and quality of data. In instances where complete or primary activity data was unavailable, reasonable proxy data and best-available replacement estimates were utilized to approximate emissions. These estimates are subject to inherent measurement uncertainty due to assumptions embedded in emission factors, data limitations within operational boundaries, and reliance on secondary data sources.

Emissions have been calculated using recognized international emission factor databases applied to relevant activity data. Activity data used in emissions calculations includes fuel consumption records, electricity purchase data, and operational production statistics obtained from facility-level monitoring systems. Management also exercised judgement in selecting appropriate emission factors to calculate GHG emissions from internationally recognized databases such as DEFRA, the International Energy Agency (IEA), the U.S. Environmental Protection Agency (EPA), and other recognized authorities, taking into account geographic relevance and data availability.

B. Climate-related risks and opportunity exposure

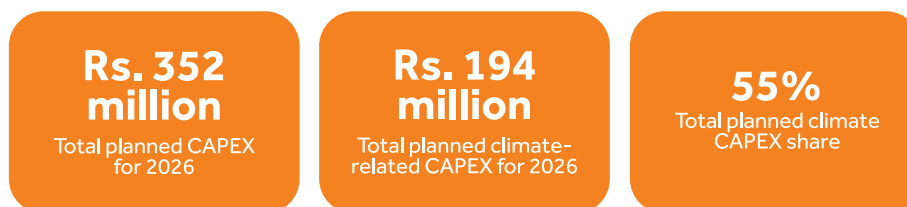
During the reporting period, the Group conducted an initial assessment of climate-related physical and transition risks, as well as opportunities, across its core operations and key asset classes. Climate exposure was evaluated at the operational and asset-class level by mapping these assets to relevant physical hazards and transition drivers identified in the Group's climate risk assessment. As this is the Group's first year of reporting, detailed asset-level mapping to specific climate risk drivers has not yet been completed. Accordingly, the Group is unable to reliably determine the amount and percentage of assets or business activities exposed to physical and transition risks or

aligned with climate-related opportunities.

In line with the principle of using reasonable and supportable information available at the reporting date without undue cost or effort, sufficient asset-level data was not available to support quantitative exposure metrics. The Group intends to enhance this approach in future reporting cycles by conducting detailed asset-level mapping across its fixed asset base and calculating exposure metrics based on asset carrying values within a defined asset universe.

C. Capital Deployment

To strengthen asset resilience against climate-related physical and transition risks and capture climate-related opportunities, the Group has identified key investment priorities for 2026 during the reporting period. These priorities aim to mitigate prioritized climate-related risks while creating opportunities for long-term value creation, with approximately Rs. 194 million of planned climate-related capital expenditure expected to support initiatives that enhance operational resilience and energy efficiency across manufacturing facilities. These capital allocation decisions are informed by the Group's climate risk assessments and are integrated within the broader strategic planning and budgeting process.



D. Internal Carbon Pricing

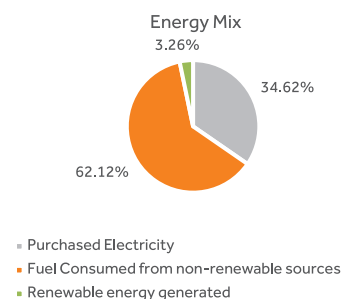
The Group does not currently apply an internal carbon pricing mechanism in its operational or investment decision-making, as Pakistan has not implemented a nationwide carbon tax or emissions trading system and the pharmaceutical sector is not directly exposed to such regulations. Consequently, no carbon pricing-related liabilities were incurred in FY2025, and no internal shadow price was used. However, the Group actively monitors evolving climate policies in Pakistan and globally, including potential carbon taxes, emissions trading systems, and cross-border carbon adjustments, which may impact future operations and investments. In anticipation of these developments, the Group intends to evaluate the adoption of an internal carbon pricing framework to support risk management, inform capital allocation, and align long-term planning with low-carbon transition pathways.

7.2. Industry-based Metrics

A. Energy

During the reporting period, the Group consumed a total of 72,279.03 GJ of energy to support its manufacturing operations. The energy mix reflects operational reliability requirements and the gradual integration of alternative energy sources across facilities. To enhance energy security, a portion of the group's energy demand is met through on-site generation. Strengthening energy efficiency initiatives and expanding renewable energy adoption remain key priorities for improving operational resilience and supporting group's long-term strategy of shifting to renewable energy.

Energy	Amount
Purchased Electricity (GJ)	25,023
Fuel consumed from non-renewable sources (GJ)	44,898.53
Renewable Energy Generated (GJ)	2,356
Total Energy Consumed (GJ)	72,279.03
Energy Intensity (GJ / million PKR revenue)	2.047



A.1. Targets

The Group has established 2025 as the baseline year for energy performance measurement and is currently evaluating medium- to long-term operational targets aimed at reducing energy intensity and increasing the share of renewable energy within its overall energy mix.

B. Waste

Hignoon Group generates waste as a result of its pharmaceutical manufacturing, packaging, laboratory, and supporting operational activities, comprising both hazardous and non-hazardous waste. Hazardous waste includes expired materials, rejected batches, solvents, chemicals, and contaminated packaging, while non-hazardous waste consists mainly of general waste, paper, plastics, and packaging materials. The group follows a structured waste management approach that prioritizes safe disposal and resource recovery. Hazardous waste is sent for incineration through licensed waste management service providers to ensure compliance with environmental regulations.

Waste	Amount
Total Hazardous Waste Generated (Metric Tons)	33.65
Total Non-Hazardous Waste Generated (Metric Tons)	164.98
Total Waste Generated(Metric Tons)	198.63

B.1. Targets and Improvement Pathway

The Group has not yet established a waste management baseline, as its data recording system is still under development. The Group is in a process of implementing a structured waste-tracking system to improve measurement, monitor treatment pathways, and enable future waste reduction and resource recovery targets.

B.2. Judgements and Measurement Uncertainty

A portion of non-hazardous waste was recorded by unit count rather than weight. To estimate total weight, representative samples were weighed to determine average unit weights. This approach assumes uniformity across units and batches, introducing measurement uncertainty. While reasonable sampling and internal validation procedures were applied, actual volumes may vary, and reported figures include estimates based on unit-weight sampling.

C. Water

Water is a critical resource for Highnoon Group, supporting pharmaceutical manufacturing processes and ensuring compliance with GMP and regulatory requirements. Water is primarily sourced from groundwater and municipal supply, with operations located in Lahore, where groundwater stress is a key consideration. The Group monitors water consumption to improve efficiency, manage access, and minimize wastage.

Water	Amount
Total Water Withdrawn (Megaliters)	103.95
Total Water Consumed (Megaliters)	9.86
Total Water Discharged (Megaliters)	94.09

Note: Water withdrawn reflects total water sourced for operations. Water consumed represents the portion not returned to the immediate environment, while water discharged reflects treated effluent released following on-site treatment.

C.1. Targets

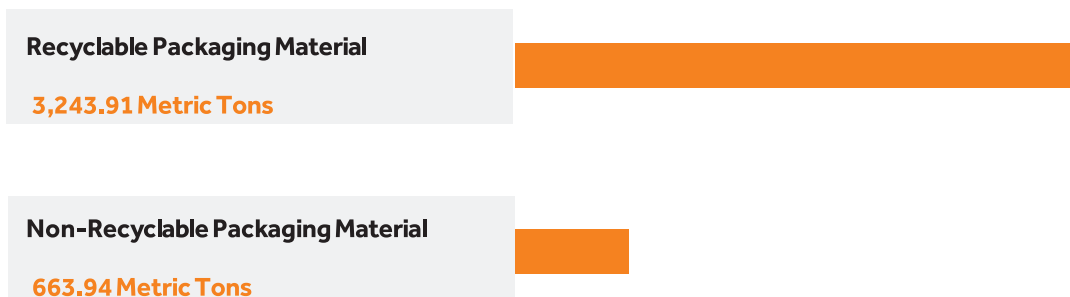
The Group has not yet established water-related targets, as a complete and accurate baseline has not been determined due to the absence of flow meters required for reliable data measurement. The Group is in the process of implementing appropriate water measurement systems to enable the development of reliable baseline data and the subsequent setting of meaningful water-related targets.

C.2. Judgements and Measurement

Certain water withdrawal and effluent discharge metrics are estimated for locations without metered data, using engineering assessments, operational capacity, and consumption patterns based on the best available information. These estimates involve assumptions on usage intensity, production levels, and system efficiency, resulting in some measurement uncertainty despite internal review and prudent judgement. The Group plans to improve metering infrastructure to enhance accuracy, and reported figures include estimated values where direct measurement was not available. Reported figures therefore include estimated values where direct measurements were unavailable.

D. Packaging Material

Packaging represents a significant component of the environmental footprint of medicinal products and therefore remains an important focus area for the Group's sustainability efforts. The Group emphasizes the use of recyclable materials to support decarbonisation, complying with evolving regulations, and meeting market demand for environmentally responsible products. By reducing non-recyclable materials and optimizing packaging carbon footprint, the Group aims to enhance resource efficiency, strengthen brand value, and align with global sustainability standards.



D.1. Judgements and Measurement Uncertainty

Certain packaging material consumption data was recorded in units rather than weight. To estimate total packaging material usage in weight terms, an average weight was determined for each packaging material category based on representative samples. Management has exercised professional judgement in applying this methodology; however, future implementation of weight-based tracking systems may improve measurement precision in future reporting periods. Accordingly, reported packaging material quantities include estimated values for materials where direct weight was not available during the reporting period.

E. Talent and Workforce Management

At Highnoon Group, employees are the driving force behind operational excellence, product quality, and sustained growth. The Group cultivates a culture that supports structured talent development through disciplined performance management, leadership development, and succession planning. Through a structured Career Stream pathway and formal Performance Management System, employees are empowered to set clear objectives, monitor performance, identify development needs, and plan career progression. Regular performance dialogues and development discussions enhance accountability, strengthen internal mobility, and support the creation of a sustainable leadership pipeline for critical roles.

Employees	2025
Total Number of Employees	2,563
Total Number of Employees by gender:	
Male	2,406
Female	157
Average number of employees	2,470
Percentage of Female Representation in Workforce	6.14%
Total Number of employees hired by gender:	
Male	1,083
Female	32
Voluntary Turnover Rate:	
(i) Executives/Senior Managers	23.79%
(ii) Mid-level Managers	18.44%
(iii) Professionals	48.97%
(iv) All Others	2.66%
Involuntary Turnover Rate:	
(i) Executives/Senior Managers	0%
(ii) Mid-level Managers	1.44%
(iii) Professionals	0.78%
(iv) All Others	0.22%
Hiring Rate	45.14%

E.1. Talent Attraction and Retention

The Group recognizes that attracting and retaining skilled professionals is essential for sustaining operational performance, regulatory compliance, and long-term competitiveness within the pharmaceutical industry, where specialized technical expertise and quality management are critical to product integrity and market position. Therefore, it promotes merit-based employment practices, ensuring that talent decisions are grounded in merit, competence, and organizational fit.

By integrating talent planning with succession considerations and long-term workforce strategy, the Group strengthens institutional resilience and mitigates risks associated with skill shortages and critical role dependency.

During the reporting period, the Group formally identified Business Critical Positions (BCPs) and High-Potential (HiPo) employees. Building on this effort, the Group plans to develop and implement a structured Talent Management Framework incorporating succession planning, internal successor identification, and development of internal talent pipelines.

Talent Retention Targets

Achieve 90% retention of key talent by 2027, supporting continuity, knowledge preservation, and a strong human capital base.

Beginning in Q1 2026, identified critical roles will be monitored under a differentiated framework with dedicated retention and turnover indicators to enhance visibility over strategic talent risks and support proactive workforce planning.

F. Trainings and Development

Highnoon Group views continuous learning and leadership development as strategic priorities to sustain operational excellence, and long-term competitiveness. The Group's structured training framework strengthens technical expertise, leadership capability, and managerial effectiveness through internal programs, international courses, and professional certifications, supporting succession readiness and career progression.

F.1. Leadership Training Programme

To strengthen leadership capability, the Group provides a structured portfolio of leadership development initiatives designed to strengthen managerial and strategic capabilities across the organization. Senior executives participate in internationally recognized programmes offered by leading institutions such as Wharton School, INSEAD, and Harvard University, enabling exposure to global best practices and advanced leadership insights. At the organizational level, structured internal trainings, including Situational Leadership® II (SLII®) by Ken Blanchard Companies, "6 Critical Practices for Leading a Team" by FranklinCovey, and the Leadership Grid programme by Pakistan Society for Training and Development, focus on enhancing leadership effectiveness, communication, team engagement, and performance management.

The Group also promotes inclusive leadership through targeted initiatives such as the Women Leadership Program, supporting diversity and empowering female professionals.

In addition, the **Certified Leader-Coach Program™** fosters a coaching-based leadership culture by enabling senior leaders to build trust, encourage knowledge sharing, and drive sustainable performance improvement across teams.

F.2. Career Development Programme

The Group further supports continuous professional development through technical training programmes and certifications, including **ISO 9001:2015 Quality Management Systems Lead Auditor training** and the **People Managers’ Toolkit programme**. These initiatives strengthen technical competencies, enhance operational knowledge, and ensure alignment with international quality and regulatory standards.

F.3. Incentives Supporting Employee Development

To reinforce learning outcomes and employee engagement, Highnoon Group integrates training initiatives with performance-based incentives and recognition mechanisms. Employees benefit from structured performance evaluations, quarterly bonuses linked to key performance indicators, and profit-sharing through the Workers’ Profit Participation Fund (WPPF). High-performing employees are recognized through promotions, expanded responsibilities, and formal appreciation, fostering a culture of meritocracy and continuous improvement.

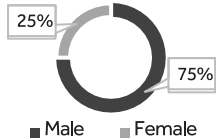
Through this integrated approach, the Group aims to build a capable, motivated, and future-ready workforce that supports innovation, strengthens institutional knowledge, and contributes to the organization’s long-term sustainability.

F.4. Targets

During the reporting period, the Group focused on establishing baseline learning and development metrics; formal medium and long-term training targets are expected to be developed as internal monitoring practices mature.

Learning and Development Metrics	2025
Total Training Hours	3,914
Average training hours per employee	1.53

Training attendees by gender



G. Employee Health and Safety

Highnoon Group prioritizes strong occupational health and safety practices as part of responsible corporate conduct, and aligned with internationally recognized standards, including **ISO 45001**, and is supported by structured policies, standard operating procedures, and periodic risk assessments. In 2025, the Group recorded a **total recordable injury rate (TRIR)** of **0.2 per 200,000 hours** worked, based on internally tracked incident data.

G.1. Hazard Identification and Monitoring

The Group follows structured hazard identification, risk assessment and incident investigation procedures to mitigate exposure to chemical, mechanical, ergonomic, and environmental risks. This is supported by formal corrective action tracking to minimize recurrence and strengthen operational controls. In parallel, medical surveillance programs and periodic health assessments are conducted to promote employee well-being and enable early identification of occupational health risks.

G.2. Safety Training and Employee Awareness

Training and awareness are central components of Highnoon Group's OHS approach. Employees receive regular safety briefings, emergency response training, fire drills, and personal protective equipment (PPE) usage guidance tailored to their functional exposure, to strengthen compliance and ensure effective utilization of protective measures.

Workplace Safety Commitment

Achieving zero work-related injuries by 2027, reflecting its commitment to fostering a strong culture of safety and accountability across the organization.

H. Access to Medicines

Access to safe, effective, and affordable medicines remains a key global health priority, particularly in developing countries facing healthcare capacity and affordability challenges. Highnoon Group supports improved access to essential medicines through responsible business practices, healthcare initiatives, and partnerships with healthcare institutions.

H.1. Judgements and Measurement Uncertainty

During the reporting year, the Group's medicines supported the treatment of approximately 5 million patients across the globe. Patient reach estimates are derived from internal sales data and average treatment assumptions for relevant therapeutic products.

H.2. Initiatives Supporting Priority Diseases

During the reporting period, Highnoon Group implemented initiatives to improve access to treatment for priority diseases identified in the Access to Medicine Index, including supplying **Deferiprone (Feripro)** for thalassemia patients through partnerships with the Thalassemia Society of Pakistan and the Ministry of Health's Thalassemia Unit in Sri Lanka. The Group also conducted healthcare awareness and medical training programmes targeting infectious diseases, with hands-on training under the **"Merzel: Empowering Care"** programme to strengthen clinical skills and treatment practices. In parallel, it promoted responsible antibiotic use through initiatives such as **"Keep Antibiotics Working"** and **Infection Prevention and Control (IPC)**, educating healthcare professionals on appropriate prescribing and infection control to combat antimicrobial resistance and enhance patient safety.

I. Affordability and Pricing

Highnoon Group is committed to improving patient access to essential medicines by balancing affordability with quality and sustainability. Through responsible, value-based pricing, broad distribution networks, strategic partnerships, and targeted programs in low-resource settings, the Group ensures availability of high-quality therapies while addressing unmet medical needs. Leveraging scientific expertise, advanced manufacturing, and strong quality assurance systems, it maintains operational efficiency, enhances product safety, and adapts market access strategies to evolving healthcare and regulatory requirements, reinforcing its contribution to public health and community well-being.

Metric	Highnoon Laboratories Limited		Curexa Health Private Limited
	Local	Export	Local and Export
Weighted Average List Price Change	15.16%	25.25%	-10%
Weighted Average Net Price Change	15.15%	25.25%	28%

Metric	Products	Percentage Change
Highest List and Net Price Change	DIAJARD 10 MG TABLET	33%*
	DIAJARD-MXR 5/1000 MG TABLET	
	DIAJARD-M 5/500 MG TABLET	
	DIAJARD FORTE XR 10/5/1000 MG TABLET	
	DIAJARD-L 5/10 MG TABLET	

**Note: The reported value is exclusive of export prices, which have been excluded due to commercial sensitivity considerations.*

J. Business Ethics

The Group recognizes ethical engagement with healthcare professionals as essential to maintaining patient trust, ensuring responsible promotion of medicines, and complying with regulatory requirements. All interactions are conducted in line with the **Drug Regulatory Authority of Pakistan (DRAP) Ethical Marketing Rules**, promoting transparency, professionalism, and the independence of medical decision-making. Robust internal oversight mechanisms, including the Medical Affairs review of promotional materials, ensure scientific accuracy, regulatory compliance, and alignment with ethical standards. During the reporting period, no incidents of bribery, corruption, or healthcare fraud were recorded, reflecting the Group's strong commitment to integrity, stakeholder trust, and sustainable business practices.

J.1. Commitment to Ethical Business Practices

By adhering to regulatory frameworks governing healthcare professional engagement, maintaining internal review mechanisms, and promoting a culture of compliance, the Group seeks to uphold high standards of integrity across its operations. These practices contribute to responsible industry conduct, reinforce trust among healthcare professionals and regulators, and support the Group's broader commitment to ethical and sustainable business practices.

K. Ethical Marketing

Highnoon Group recognizes ethical marketing as critical to regulatory compliance, patient safety, and ensuring healthcare professionals receive accurate and balanced scientific information. The promotion of prescription medicines is guided by principles of integrity, transparency, and scientific accuracy to support responsible communication and informed clinical decision-making while mitigating risks associated with misleading claims or off-label promotion.

The Group maintains a structured governance framework, including oversight by Medical Affairs, Quality Assurance, and Compliance functions, to ensure alignment with international standards. It adheres to the **International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) Code of Practice (2019)** and implements internal controls such as a **Promotional Material SOP** for review and approval of marketing communications. These mechanisms, supported by periodic training, ensure that all promotional content is scientifically accurate, compliant with regulatory requirements, aligned with approved product labeling, and free from misleading or unsubstantiated claims.

K.1. Legal Compliance and Commitment to Responsible Promotion

During the reporting period, the Group did not record any monetary losses, regulatory actions, or legal proceedings related to misleading promotional practices. By aligning with international codes, maintaining robust internal review mechanisms, and ensuring compliance with approved product information, the Group upholds integrity and promotes transparent communication with healthcare professionals, regulators, and patients.

L. Drug Safety and Pharmacovigilance

Highnoon Group recognizes drug safety as a critical responsibility across the lifecycle of its pharmaceutical products. The Group maintains structured pharmacovigilance systems managed through its Quality Assurance and regulatory compliance functions to continuously monitor product safety after market release, ensuring patient safety. During the reporting period, ongoing safety monitoring and periodic reviews of pharmacovigilance data did not identify any material product safety signals. Additionally, **no fatalities** were reported in 2025, reflecting the effectiveness of the Group's patient safety monitoring, quality controls, and risk management systems.

L.1. End-of-Life Product Management

During the year, approximately 0.62 metric tons of expired medicines were collected through take-back processes and disposed of through controlled incineration by qualified waste management facilities to prevent environmental contamination and unauthorised re-entry into the supply chain.

At present, a comprehensive centralised record of all expired products across operations is not fully maintained. However, the Group intends to strengthen its waste tracking systems in the coming years to ensure more systematic monitoring and reporting of expired pharmaceutical products as part of its ongoing commitment to responsible product lifecycle management and continuous improvement.

L.2. Good Manufacturing Practices (GMP) and Commitment to Patient Safety

Compliance with Good Manufacturing Practices (GMP) remains central to ensuring product quality, safety, and regulatory compliance. During the reporting period, no enforcement actions were taken against the Group for GMP violations, and inspections conducted by the DRAP confirmed compliance with applicable regulatory requirements. Through continuous adherence to GMP standards, and robust quality management systems, the Group reinforces its commitment to maintaining high product quality and safeguarding patient safety across its pharmaceutical operations.

M. Counterfeit Drug Prevention and Traceability

Highnoon Group prioritizes product authenticity and traceability across its pharmaceutical supply chain to safeguard patient health and maintain the integrity of its medicines. The Group implements operational controls and technology-enabled systems, including QR codes, ERP-based tracking, batch documentation, Batch Manufacturing Records (BMRs), and secure packaging features such as authentication markings and tamper-evident closures. These measures enable batch-level traceability, support product verification, and mitigate counterfeit risks, while ongoing efforts to adopt DRAP-aligned serialization practices further strengthen supply chain transparency.

Potential counterfeit risks are monitored through structured quality management and pharmacovigilance systems. The Group identifies suspected cases through multiple channels, including customer complaints, feedback from distribution networks, reports from healthcare providers or retailers, regulatory inspections, and internal quality investigations. All cases are assessed through established procedures to evaluate risks to product integrity and patient safety, supported by timely stakeholder communication and guidance to procure medicines through authorized channels.

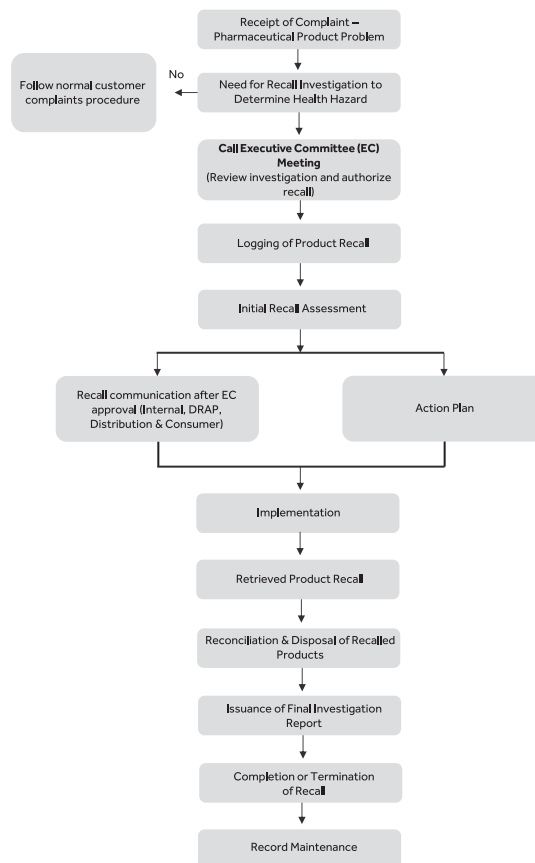
In cases where counterfeit risks are confirmed or cannot be ruled out, the Group activates product recall procedures in line with regulatory requirements. During the 2025 reporting period, no products were declared counterfeit by regulatory authorities, and no enforcement actions such as raids, seizures, or legal proceedings were recorded.

M.1. Supply Chain Integrity

The Group continues to strengthen supply chain integrity through enhanced traceability systems, secure logistics monitoring, and collaboration with supply chain partners. By promoting procurement through authorized channels, maintaining accurate documentation, and continuously improving monitoring systems, Highnoon Group aims to mitigate counterfeit risks, ensure product safety, and uphold stakeholder trust.

M.2. Product Recall Mechanism

Product recalls represent an important risk management mechanism in the pharmaceutical industry. During the reporting period, no product recalls were issued for medicines manufactured by the Group. To maintain operational readiness, the Group conducts annual mock recall exercises to test traceability systems, documentation procedures, and overall recall response capabilities, enabling management to identify opportunities for system improvements. The product recall mechanism of the Group is outlined below:



N. Supply Chain Management

Highnoon Group conducts audits of Tier-1 suppliers as part of its supplier quality assurance framework. Supplier audits are conducted using a risk-based approach with defined audit cycles. These audits are primarily carried out by Quality Assurance (QA) team, enabling the Group to evaluate supplier compliance with quality standards, and regulatory requirements. In addition to this, the Group's own manufacturing facilities are also subject to a range of third-party and regulatory audit programs designed to ensure supply chain integrity and product quality. These audit mechanisms include Good Manufacturing Practice (GMP) and Good Practice (GxP) inspections conducted by the Drug Regulatory Authority of Pakistan (DRAP), internationally recognized ISO certification audits, and independent third-party GMP assessments.

Additional external oversight is provided through certifications and accreditations issued by recognized bodies such as DML, ExPhar, and PNAC, as well as ISO/IEC laboratory accreditation standards.

N.1. Commitment to Responsible Supply Chain Management

Through regulatory inspections, internationally recognized certifications, and independent third-party audits, the Group seeks to maintain high standards of supply chain quality and manufacturing integrity. The Group remains committed to strengthening supply chain governance and enhancing transparency across its supplier network in order to support product quality, regulatory compliance, and long-term operational resilience.

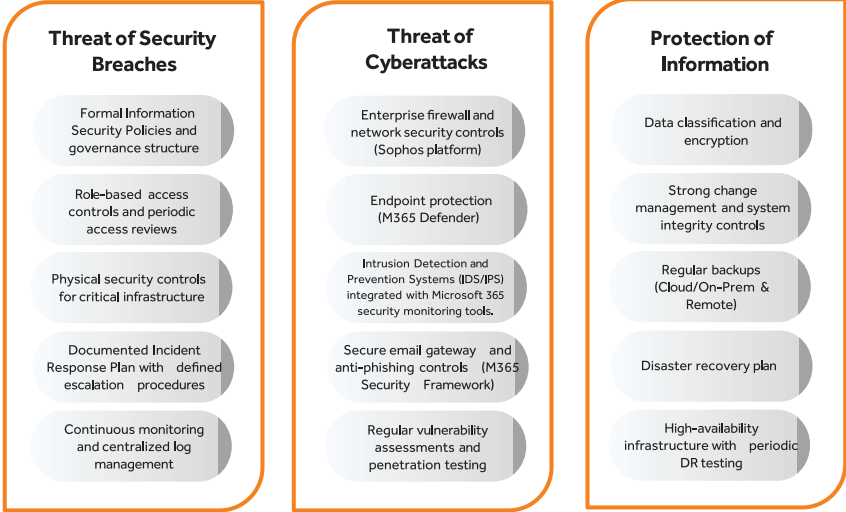


O. Cybersecurity and Data Privacy

With increasing reliance on digital systems, the Group prioritizes the protection of information assets and personal data to mitigate cybersecurity and data privacy risks. Robust cybersecurity controls support business continuity, reduce operational disruptions, and ensure reliable operations.

The Group manages data security risks through a structured, risk-based approach aligned with recognized information security frameworks and regulatory requirements. The Group has implemented a layered cybersecurity framework combining

administrative, technical, and operational controls designed to protect information assets and maintain system integrity. The effectiveness of cybersecurity and data privacy controls is evaluated through continuous monitoring, periodic internal reviews, and structured governance oversight. Key control mechanisms include:



O.1. Governance Oversight

Cybersecurity and data privacy risks are managed through a structured governance framework with oversight at both management and Board levels. Operational monitoring is conducted by the IT Infrastructure team, with findings reviewed by the IT Steering Committee to assess risks and control effectiveness. At the governance level, these risks are overseen by the Board through the Audit/Risk Committee as part of the enterprise risk management framework. Cybersecurity updates are provided quarterly, with immediate escalation in the event of significant incidents or emerging high-risk threats.

O.2. Future Commitments

Highnoon Group continues to strengthen its cybersecurity and data privacy framework to address evolving digital risks and emerging technological developments. The Group plans to enhance its threat detection capabilities and further strengthen cloud and endpoint security as digital infrastructure expands.

Future initiatives include:

- Gradual transitioning of core systems to secure cloud environments

- Implementation of enhanced data protection technologies such as Data Loss Prevention (DLP)
- Strengthening encryption mechanisms for sensitive information

The Group also intends to increase the frequency of security risk assessments and penetration testing, expand employee cybersecurity awareness programs, and reinforce disaster recovery and third-party risk management practices. These initiatives aim to support a proactive and resilient cybersecurity posture aligned with evolving regulatory requirements and industry best practices.



ESG Guidelines

Highnoon Group has voluntarily aligned its disclosures with the ESG Disclosure Guidelines (aligned with Pakistan Green Taxonomy) issued by the Securities and Exchange Commission of Pakistan (SECP), ahead of their mandatory application from June 2029. These guidelines establish a standardized framework for identifying, managing, and disclosing material environmental, social, and governance risks and opportunities, thereby enhancing transparency, strengthening governance practices, and supporting informed decision-making for stakeholders.

Environment Metrics

Metric	Key ESG Performance Indicators	Note
GHG Emissions	Total amount of Carbon and Green House Gas emissions in metric tons	Refer to GHG Emission section (Sec. no. 7.2A)
	Total amount, in CO ₂ equivalents, for Scope 1, Scope 2 and Scope 3 (if applicable)	Refer to GHG Emission section (Sec. no. 7.2A)
Emissions Intensity	Total GHG emissions per output scaling factor (e.g. revenues, sales, units produced)	Refer to GHG Emission section (Sec. no. 7.2A)
	Total non-GHG emissions per output scaling factor	Not reported
Energy Usage	Total amount of energy directly consumed	Refer to Energy section (Sec. no. 7.2A)
	Total amount of energy indirectly consumed	Refer to Energy section (Sec. no. 7.2A)
Energy Intensity	Total direct energy usage per output scaling factor	Refer to Energy section (Sec. no. 7.2A)
Energy Mix	Percentage: Energy usage by generation type	Refer to Energy section (Sec. no. 7.2A)
	Disclose the energy consumption from renewable sources as a percentage of total energy consumption	Refer to Energy section (Sec. no. 7.2A)
Water Usage	Total amount of water consumed	Refer to Water section (Sec. no. 7.2C)
	Total amount of water reclaimed	Refer to Water section (Sec. no. 7.2C)

Environment Metrics

Environmental Operations	Does your company follow a formal Environmental Policy?	Yes
	Does your company follow specific waste, water, energy, and/or recycling polices?	Yes
	Specify the quantity of waste recycled or re-used as a percentage of total waste for the current and comparative period	Refer to Waste section (Sec. no. 7.2B)
	Does your company use a recognized energy management system?	An energy analyzer has been installed that monitors energy consumption at main supply and distribution panel. This enables tracking of energy sourced from solar, on-site generators, and electricity supplied by WAPDA. At present, the monitoring system has not undergone verification or certification by an accredited third-party body.
Environmental Oversight	Does your Board/Management Team oversee and/or manage climate related risks?	Yes
	Does your Board/Management Team oversee and/or manage other sustainability issues?	Yes
Sustainable Sourcing	Does your company have a policy and procedures in place for sustainable sourcing?	Yes
Climate Risk Mitigation and Adaptation	Climate related transition and physical risks, climate related opportunities, capital deployment, internal carbon prices	Refer to Strategy section (4.1 to 4.14), 7.1C & 7.1D

Social Metrics

Metric	Key ESG Performance Indicators	Metric
CEO Pay Ratio	CEO total compensation to median Full-time Equivalent (FTE) total compensation	Not reported
	Does your company report this metric in regulatory filings?	Not reported
Gender Pay Ratio	Ratio: Median male compensation to median female compensation	Refer to corporate governance section
	Percentage: Year-over-year change for full-time employees	Not applicable, since it is the first year of reporting
Employee Turnover	Percentage: Year-over-year change for part-time employees	Not applicable, since it is the first year of reporting
	Percentage: Year-over-year change for contractors and/or consultants	Not applicable, since it is the first year of reporting
	Percentage: Total enterprise headcount held by men and women	Male: 94%, Female: 6%
Gender Diversity	Percentage: Entry- and mid-level positions held by men and women	Entry-level: Male: 96%, Female: 4% Mid-level: Male: 91%, Female: 9%
	Percentage: Senior- and executive-level positions held by men and women	Male: 91%, Female: 9%
Temporary Worker Ratio	Percentage: Total enterprise headcount held by part-time employees	Zero
	Percentage: Total enterprise headcount held by contractors and/or consultants	Zero
	Does your company have a sexual harassment and/or nondiscrimination, diversity, inclusion policy?	Yes
Non-Discrimination	Is there a confidential grievance, resolution, reporting and non-retaliation mechanism and procedure to address and respond to incidence of harassment and violence?	Yes
	Percentage: differently abled Women and men in the workforce	Male: 82%, Female: 18%
Global Health & Safety	Does your company follow an occupational health and/or global health & safety policy?	Yes
Child & Forced Labor	Does your company follow a child and/or forced labor policy?	Yes
	If yes, does your child and/or forced labor policy also cover suppliers and vendors?	Yes
Corporate Social Responsibility	List of CSR activities undertaken, total time spent, and amounts allocated (Rs.)	Refer to a year of enriching life section
Employee training and Succession Planning	Number of training sessions held on the following. Also mention the Number of employees and workers trained in these: - Skill Upgradation - Soft Skills - Health and Safety Measures	Skill Upgradation: No. of sessions: 78, No. of employees trained: 1,130 Soft Skills: No. of sessions: 33, No. of employees trained: 336 Health and Safety: No. of sessions: 51, No. of employees trained: ⁸²³
	Percentage: Women and men promoted during the year	Male: 93%, Female: 7%

Social Metrics

Human Rights	Does your company follow a human rights policy?	Yes
	If yes, does your human rights policy also cover suppliers and vendors?	Yes
	No. of complaints made by employees regarding working conditions	Zero
Working Conditions	Number of complaints regarding working conditions resolved	N/A
	Percentage: Frequency of injury events relative to total workforce time	0.0001%
Injury Rate	Number of safety-related incidents during the reporting year and Number of lost production hours as a result	2 Safety incidents and zero lost hours

Governance Metrics

Metric	Key ESG Performance Indicators	Metric
Board Diversity	Percentage: Total board seats occupied by men and women	Men: 85.71%, Women: 14.29%
	Percentage: Committee chairs occupied by men and women	Men: 80%, Women: 20%
Board Independence	Does company prohibit CEO from serving as board chair?	Yes
	Number of independent directors:	2
Incentivized Pay	Are executives formally incentivised to perform on sustainability?	No
Collective Bargaining	Percentage: Total enterprise headcount covered by collective bargaining agreement(s)	N/A
Supplier Code of Conduct	Are your vendors or suppliers required to follow a Code of Conduct?	Yes
	If yes, what percentage of your suppliers have formally certified their compliance with the code?	100%
Ethics & Anti-Corruption	Does your company follow an Ethics and/or Anti-Corruption policy?	Yes
	If yes, what percentage of your workforce has formally certified its compliance with the policy?	More than 90%
Data Privacy	Does your company follow a Data Privacy policy?	Yes
	Has your company taken steps to comply with general data protection rules/framework?	Yes
Sustainability Reporting Disclosure Practices	Does your company publish a sustainability report?	Yes
	Is sustainability data included in your regulatory filings?	Yes
	Does your company provide sustainability data in line with any sustainability reporting frameworks?	Yes
	Does your company focus on specific UN Sustainable Development Goals (SDGs)?	Yes
	Does your company set targets and report progress on the UN SDGs?	Yes
External Assurance	Are your sustainability disclosures assured or validated by a third party?	No